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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

FY 1982 BUDGET PROPOSAL

September 15, 1980

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**IDCA** UNITED STATES  
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
WASHINGTON D C 20523

DIRECTOR

September 15, 1980

Honorable James T. McIntyre, Jr.  
Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Jim:

This is the 1982 comprehensive foreign assistance budget prepared by the International Development Cooperation Agency for your review and submission to the President. It is the harbinger of a broader strategy regarding our relations with Third World countries, now being developed by IDCA, the State Department, and others, for announcement by the President at the outset of his second term.

During the President's first term, the United States made significant gains in relations with much of the Third World. Our human rights policy, the Panama Canal Treaties, our policies with respect to Nicaragua and Southern Africa, and the passing of the Vietnam era helped us towards these better relationships. The Soviet invasion of Afghanistan and the flow of refugees from Cuba dramatized the attractiveness of the United States. Countries that once feared our pressure are now receptive to United States leadership.

A major foreign policy task of the next four years is to capitalize on these gains and to solidify relations with as many Third World nations as possible. Through the next four years and beyond, the Third World will remain the most unpredictable factor in global diplomacy. There are bound to be continued political upsets, food shortages, and financial uncertainties. There will be disappointments for the United States. We nevertheless have the opportunity to put the United States in an unprecedented position of mutual confidence and respect with Third World nations. Reaching that position requires strengthening our bilateral and regional relationships and creating multilateral arrangements and institutions responsive to Third World needs. We can do that by committing ourselves to a positive, collaborative diplomacy based on a carefully crafted set of economic and political initiatives.

Development assistance -- the focus of this document -- is only one part of that strategy. Trade, finance, commodity, and energy policies are also crucial, as are the adeptness of our diplomacy and our political and military approaches. The overall strategy now being developed within the Administration will link these diverse elements into a concrete plan for action.

As we develop that strategy, we must keep in mind that the United States cannot alone bring the successes for which we strive. Other donors -- industrial countries as well as OPEC -- will have to join with us. Developing countries will themselves have to take difficult and bold actions. But the quality of our leadership and the clarity of our challenge will go a long way toward determining the structure of the international society that President Carter turns over to his successor in 1985.

As the President considers how to exercise second-term leadership concerning the Third World, one of the first questions he faces is what position to adopt toward development assistance in his fiscal 1982 budget presentation to the new Congress. IDCA's budget embodies my recommendation that the President put forward a development assistance proposal that demonstrates to the Congress -- and to donors and recipients alike -- his commitment to United States leadership in solving the development problems of the 1980s.

IDCA's leadership proposal provides the basis for the United States, as the world's principal aid donor, to issue a call to other donors and to recipients for concerted and accelerated action in meeting the principal development needs of the Third World. In that call, the United States would pledge to raise its bilateral and multilateral aid by almost a billion dollars in 1982 over its original 1982 plan (as modified to include PL 480 re-pricing and the entire World Bank General Capital Increase). Further, we would pledge, at a minimum, to maintain that increase in real terms over the President's second term. This would represent a 11% increase over the current planning levels, levels that themselves barely outdistance inflation and fall far short of keeping up with growth in the U.S. economy. I am convinced our leadership would elicit a fresh determination among donors and LDCs alike to make substantial progress over the rest of the Twentieth Century.

We cannot afford to put forward a program indicating that our attitude toward the Third World is business as usual. We cannot pretend that incremental improvements -- in which each year's timid step forward ratifies the losses of the year before -- are anything but a guarantee of ultimate failure.

The United States and the Third World share a common goal -- renewed growth through stable, non-inflationary increases in the global product. The United States and the Third World now basically agree upon the bottlenecks -- in energy, agriculture, population, and finance -- that could turn our shared jeopardy into common defeat. The United States' basic strategy for world development has been and must continue to be a strategy for shared growth. The IDCA leadership proposal's approach to development assistance is to foster that growth by challenging other donors and developing countries to continue the essential work already underway, while at the same time making a commitment to significant additional efforts to break the bottlenecks which impede our mutual development.

Part I of IDCA's budget submission outlines the leadership proposal and its budgetary consequences. Part II spells out the details of the budget base

on which the leadership proposal is built. That base is necessary to maintain the essential bilateral and multilateral development efforts now underway.

The issue is not knowing what to do -- it is whether the United States will exercise the political and economic leadership to get the task underway. Time is the scarcest of our non-renewable resources.

I urge your support.

Cordially,

A handwritten signature in cursive script that reads "Tom Ehrlich". The signature is written in dark ink and is positioned below the word "Cordially,".

Thomas Ehrlich

## International Development Cooperation Agency

## FY 1982 Budget Submission

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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FISCAL YEAR 1982 COMPREHENSIVE DEVELOPMENT  
ASSISTANCE BUDGET REQUEST

I. The Leadership Proposal

Overview

The foreign economic assistance budget request for FY 1981, as approved by the President, totals \$5.8 billion dollars for IDCA, PL 480, and the multilateral development banks. This amount will support programs addressing a range of essential development activities. In FY 1982, IDCA proposes a continuation and modest expansion of these activities, coupled with major new efforts concentrated on food production, family planning and primary health care, and energy -- and on the technology needed to advance development in each of these sectors. With these additional expenditures and concentrated efforts, we could achieve results that would be truly significant.

To achieve those results, the United States would call for a coordinated attack by the United States, other donors, and the recipients themselves on the three principal global problems -- hunger, excessive population growth, and energy. As a demonstration of our commitment to lead this effort, and to back up our call for increased, focused funding from other donors, the United States would raise its bilateral and multilateral aid by almost a billion dollars over the existing 1982 OMB mark (modified to account for PL 480 repricing and the inclusion of the entire World Bank GCI). Further, we would pledge, at a minimum, to maintain that increase in real terms through 1985. For 1982, the leadership proposal requests an additional \$718 million in Development Assistance, \$75 million each for the Economic Support Fund and PL 480 Title I, and \$18 million for UN programs. This would represent an 11% increase over current planning levels, which themselves barely outdistance inflation and fall far short of keeping up with growth in the United States economy.

Of the \$886 million in additional funding called for by the leadership proposal, \$530 million would be earmarked for increased investment in agriculture. If, as can reasonably be expected, this expenditure generates substantial additional investment by other donors, private enterprises, and developing countries, this additional investment would itself enable twenty-five to thirty million additional people each year to have adequate diets. At this rate of increase, almost half of the current and projected (from population increases) hungry and malnourished people in the Third World would have adequate diets by the year 2000. Even by 1990, this level of additional investment in agriculture will produce an added 80 million tons of foodgrain annually.

## BILATERAL AND MULTILATERAL ASSISTANCE

FY 1982 - FY 1985

BASE AND LEADERSHIP PACKAGES  
(In Million Dollars)

		<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>
DA	:Base	2128	2377	2677	2976
	:Leadership	718	675	550	600
PL 480	:Base	1680	1800	2000	2100
	:Repriced Base	1800	2000	2160	2220
	:Leadership	75	75	75	75
ESF	:Base	2300	2400	2500	2600
	:Leadership	75	75	75	75
IO & P	:Base	248	268	288	313
	:Revised Base	268	290	315	350
	:Leadership	18	20	24	28
Multilateral Development Banks	:Base	1602	1625	2167	2167
	:Revised Base	2150	1531	2138	2138
	:Leadership	0	266	498	548
Total Base		7958	8470	9632	10,156
Total Revised Base		8646	8598	9790	10,284
Total Leadership		886	1111	1222	1,326



The leadership proposal also calls for an additional investment of \$238 million in family planning/primary health care as a first step toward doubling resources from all sources by 1985. If other donors and recipient countries do their share, access to family planning could be doubled by 1990 -- to two-thirds of all couples in developing countries. This would reduce the currently-projected global population of 2020 by one billion persons.

The leadership proposal concentrates on two areas in energy: afforestation through AID, and oil and gas development through the World Bank and the Venezuelan hemispheric initiative. The AID afforestation program, at a cost of \$100 million per year, would provide 250,000 acres of sustaining forests per year -- saving 20 million gallons of imported fuel annually. The multilateral initiatives are now in the planning stages and would be funded beginning in 1983. They would directly benefit both the United States and Third World countries through substantial increases in supplies.

The total impact of the leadership proposal would go beyond these impressive figures. Based on conservative estimates of resource increases from other donors and developing countries to be sparked by our initiative, at least 200,000,000 fewer people in the Third World would be living in absolute poverty by the end of this decade.

### Investment Strategy

In developing a leadership strategy for breaking the food, population/health, and energy bottlenecks, our approach has been to examine overall developing country needs and to propose allocating responsibility for meeting those needs between bilateral and multilateral assistance according to the comparative advantages of each.

Both multilateral and bilateral programs must finance capital and technical assistance in order to attain development objectives. The multilateral banks are relied on primarily for programs requiring large amounts of capital. Bilateral programs should take the lead in areas that require innovation and experimentation, particularly those that tap American resources of science and technology. The banks should also provide leadership in engaging Third World governments in policy review along a wide range of macro-economic issues, while the bilateral programs focus on severe sectoral bottlenecks and constraints.

Since the key development problems must be addressed through a concerted effort by recipients and other donors alike, we also propose to take the lead in seeking to strengthen the role of key development institutions. Among the multilateral development banks, the World Bank must play an increasingly central role, in cooperation with the International Monetary Fund. The demands we make of it are great; our support should keep pace. Within the UN system, the United States has placed similar burdens and reliance on three institutions -- the UNDP, UNICEF, and UNFPA. Thus, the World Bank, UNDP, UNICEF, and UNFPA occupy special positions in this leadership package, both for the development activities they undertake and for the leadership roles they play.

## BILATERAL DEVELOPMENT ASSISTANCE

FY 1982 TO FY 1986

(In millions dollars)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Food Production</u>	<u>1440</u>	<u>1431</u>	<u>1455</u>	<u>1593</u>	<u>1871</u>
Base	910	956	1110	1238	1451
Leadership	380	325	195	205	270
(Plus ESF)	75	75	75	75	75
(Plus PL 480)	75	75	75	75	75
 <u>Population</u>	 <u>422</u>	 <u>450</u>	 <u>480</u>	 <u>520</u>	 <u>570</u>
Base	289	320	350	390	440
Leadership	133	130	130	130	130
 <u>Health</u>	 <u>277</u>	 <u>295</u>	 <u>315</u>	 <u>355</u>	 <u>400</u>
Base	172	200	240	290	350
Leadership	105	95	75	65	50
 <u>Energy</u>	 <u>208</u>	 <u>265</u>	 <u>350</u>	 <u>450</u>	 <u>525</u>
Base	108	140	200	250	300
Leadership	100	125	150	200	225
 <u>Total</u>	 <u>2,347</u>	 <u>2,441</u>	 <u>2,600</u>	 <u>2,918</u>	 <u>3,366</u>
Base	1,479	1,616	1,900	2,168	2,541
Leadership	868	825	700	750	825

The mix between bilateral and multilateral program increases is heavily weighted towards bilateral efforts in 1982. Over the coming four years, however, additional energy and food funds will be needed for multilateral programs, such as President McNamara's recently proposed World Bank energy initiative and a possible food financing facility. Beginning in 1983, as these initiatives take sufficient shape to require funding, the mix between bilateral and multilateral programs will shift toward multilateral institutions.

## A. Alleviating Hunger

### Increasing Food Production and Income

An estimated 800 million hungry and malnourished people live in the Third World. World Development Report, 1980 projects this figure will be 1.2 billion by the end of the century. The plight of the malnourished results from inadequate per capita food production and low incomes, which combine to deny them access to food.

Despite substantial recent harvest gains, per capita food production in many parts of the developing world will decline by 1985 unless concerted action is taken promptly. Population growth has outstripped food production growth over the last decade in about one-half the developing countries. Thus both acceleration in food production growth and reduction in population growth are essential. The most difficult problem will be in the twenty-seven lowest income countries, apart from India where strong efforts should permit continued self-sufficiency. These countries, accounting for one-third of the Third World population, must take very strong measures now to double their food production growth rate in order to avoid their food deficits expanding to 75 million metric tons by 1990. Yet most of these countries do not have the resources to finance those measures. Their capacity to do so in the next few years will be further undermined by the rising costs of energy.

Increasing food production per se does not guarantee the elimination of hunger and malnutrition. That happens only when poor people themselves grow more food or when increases in food supply are coupled with efforts that allow poor people to earn enough money to buy that food. Since many poor families already own or work on small farms, a small farm focus is the key to ensuring that food production increases benefit poor people. On a per acre basis, small farms typically outproduce large farms. But the potential of most of the hundreds of millions of small farms in the developing world has not yet been realized. If it can be realized, both the food production problem and the poverty problem can be brought a long way toward solution. A parallel emphasis on employment generation in rural infrastructure construction and in other sectors will also permit poor families to obtain their food requirements.

There is room for optimism if a sufficient commitment of resources is made to selected food and agricultural sectors. A recent country review of the constraints to expanded production and improved consumption indicates that considerable progress is possible.

Over the next 5 years, many countries -- including Pakistan, Cameroon, Nicaragua, Zimbabwe, Zambia, and Kenya -- can become self-sufficient in grains or even become major net exporters. Others for whom complete self-sufficiency by 1986 appears less likely can nevertheless substantially reduce their dependence on imports. As Bangladesh implements the new development plan that President Zia discussed with President Carter, it should be able to reduce food imports from over 2.0 million tons a year to about one-quarter of that amount. Even those countries that are now food exporters can substantially increase exports, thus reducing the strain on North America as the residual food supplier of the world and lessening the consequences on millions of people of a bad American harvest. Thailand alone could export an additional 2 million tons of grains.

To achieve these objectives, the World Bank, the regional development banks, and IFAD have significantly expanded lending levels for agriculture with increased emphasis on small farms and employment generation. The same commitment is essential from bilateral donors. The Brandt Commission, echoing earlier estimates, projected that \$8.5 billion per year would be needed in food and agriculture funding to overcome projected grain deficits in just the poorest developing countries. This figure is more than twice the \$4 billion per year level of food and agriculture assistance provided in 1978.

We propose that the United States provide \$530 million additional for investment in food production and food security in 1982. We believe that every dollar of our initiative should call forth 3 dollars of additional investment from other donors. Furthermore, it is expected that foreign private investors and the developing countries themselves would match all additional donor investments. An additional \$530 million a year from the United States would thus imply an additional \$2.1 billion from all donors and \$4.2 billion annually from all sources. Based on reasonable assumptions, this additional investment will generate about \$1 billion in net additional income annually, or a 25% return on investment.

Although statistical evidence is scanty for some variables, and others are subject to wide annual variation, these calculations underscore the opportunities for increased family income and well-being that will result from a major expansion of investment in food production and related activities. These increases would permit, through increased incomes and purchasing power, from 25 to 30 million additional poor people a year to meet at minimal levels their current food deficit, or 200 million to do so by the year 1990. At this rate, almost half of the current and projected hungry and malnourished could reach adequate diets by the year 2000.

The sheer availability of increased funds is not, of course, sufficient to assure that income and productivity increases take place. Host country policies are key to effective use of these resources. As we plan and work with recipients and other donors, providing valid incentives to small farmers will be a high priority.

## Regional Strategies

In considering countries and regions, we gave priority to those that have the greatest agricultural potential for either self-sufficiency or increased production and balanced this analysis with judgments about each country's likely performance. The exact mix of U.S. responses clearly must be adapted to the regional and country context as well as the particular strengths of our bilateral program compared with those of other donors.

In Asia, for example, the basic institutional base is relatively well established. The principal constraint to increasing production and small farm employment, particularly in the short-term, is lack of access to the water that is necessary for greater use of high-yielding varieties. Our proposal thus rests heavily on extending secondary and tertiary irrigation systems into areas of Asia -- especially in Bangladesh and India -- not now served, on doing the feasibility studies for the development of the Karnali River Basin serving India and Nepal that could lay the foundation for major multidonor investment, and on further efforts to diversify production in the rainfed areas of Thailand.

The Latin American and Caribbean region has considerable potential for achieving significant short-run increases in food and agricultural production. Relative to other developing regions, it has more infrastructure, greater research and extension capabilities, and more trained people aware of the policy and program changes that are needed. Even here, however, the strategy must vary by sub-region.

In Central America, our strategy is to address the sources of inequities that spawn revolution. We will encourage recapitalization of small farms, direct redistribution of land, and the opening of new lands to small farmers. Given some political stability, food self-sufficiency can be achieved relatively soon.

Our Caribbean strategy is aimed at strengthening the island economies by providing more productive employment opportunities and reducing their dependence on imported energy and food. Substantial donor investments in the agricultural sector, stimulated by the Caribbean Group for Economic Cooperation and Development and channeled through the Caribbean Development Bank, have concentrated on building and restoring the public sector infrastructure needed to support productive investments. The Caribbean Group is now calling for a shift in emphasis towards the private sector -- a strategy also recommended by the Presidential Commission on Central American and Caribbean Agriculture (York Commission) -- and AID is now considering the creation of a financing facility for small scale agribusiness throughout the region.

In South America, Peru now presents the greatest opportunity. By expanding the agricultural frontier in the high jungle, investing in small irrigation systems in the Sierra, and revitalizing agricultural institutions, the new government could bring about a dramatic increase in corn and rice production in the next five years. A significant increase in potato production could also be achieved if current research develops varieties appropriate for tropical areas.

In Africa, we project that growing investments in agriculture, starting with about \$640 million in 1982 from the United States and much larger amounts from other donors and recipient countries, would reverse current trends by 1990 so that food production would increase faster than population. (Keeping pace with estimated population growth estimates would require growing 82 - 102 million tons of grain in 1990 as compared with 52 million tons in 1975.)

A new institutional base would be established in Africa, similar to the remarkably successful effort begun in India 25 years ago.

The African programs proposed in this package would be designed as four integrated sub-regional programs: Sahel, East Africa, Central Africa, and Southern Africa.

### Food Security

Increasing production alone is not enough. Food security is essential to alleviate hunger and malnutrition. Irrigation and river basin development may reduce dependence on the forces of nature, but cannot eliminate it. And the developing nations, which as a whole obtain over two-thirds of their calories from cereals, have few options available when crops are bad. Reducing already minimal consumption is usually impossible. Expanded food aid is unlikely, especially when global supplies are also tight. Increased commercial purchases require reducing non-food imports needed for development.

Unfortunately, the international framework for food security is not yet in place. New arrangements may be needed -- arrangements designed to encourage sound agricultural policies and self-reliance rather than long-term dependence. One option under preliminary review (and included in the outyear tables for illustrative purposes) is the design and negotiation of a new food financing facility, perhaps under the auspices of a newly replenished IFAD, that might be in operation in 1983. Many questions need to be answered before we can proceed. Primary among these are whether the facility would be triggered by short as well as long-term food financing needs and whether financing alone, or also physical stocks, as suggested by the Brandt Commission, would be needed. In addition, decisions about eligibility criteria, performance conditions, and financing mechanisms remain to be made.

Much can be done even though an international food-security system is not yet in place. For many -- but not all -- developing countries, the creation of national food reserves is a sensible and viable alternative. We can help accelerate the development of those reserves through construction of storage facilities, technical assistance, and the provision of food commodities. We will continue to look to the multilateral development banks to finance large infrastructure projects. But America's unique role as a food exporter suggests we can play a major role in providing commodities. The leadership program for both Asia and Africa includes, therefore, an important component for food reserves, using both dollar and PL 480 commodity resources.

Allocations for agriculture within the leadership program are described in Annex A.

## B. Stemming Population Growth

Global 2000 forecasts that the world's population will probably increase by almost half over the next 20 years -- from 4.4 billion in 1979 to 6.3 billion by the end of the century. The population of developing countries alone (excluding China) will grow from 2.3 billion to 3.8 billion. This increase, which exacerbates all other stresses on the globe's resources, will occur even assuming some declines in fertility. And about 80% of that growth will be in the developing nations -- in countries already ill-equipped to feed, educate, house, and care for their people.

While birth rates are now declining slowly, they could drop much faster. Family planning programs have a proven impact, especially as development proceeds and makes smaller families a more attractive option. For example, in just twelve years (1968-1980), contraceptive use in Thailand increased from 11% to 52% of married women; in Indonesia during 1970 to 1980 that use rose from 2% to 26%. Birth rates in Thailand fell from about 45 to 31 per thousand population, and in Indonesia from 46 to 33 per thousand.

Although over three-fourths of Third World peoples live in countries with an official policy favoring reduced population growth rates, access by the poor to family planning and related health services is actually far more limited. Additionally, many of these same governments pay inadequate attention to those other factors that directly affect attitudes toward family size and the effective use of family planning services.

Our best estimates are that now only one-third of couples in developing countries outside China have any reasonable access to family planning services, with one-fourth of all couples actually practicing family planning. These figures can be doubled over the next decade if donors (who now provide only 2% of total ODA for population programs) and developing countries alike make the effort. Resources devoted annually to population -- now only \$1 billion including \$450 million in donor assistance -- would have to double by 1985. If family planning practice then doubled by 1990, the developing countries would have only 3.3 billion people by 2000 instead of 3.8 billion, a reduction of half a billion people. That would be only the initial impact. By the year 2020, the Third World population would be 4.1 billion instead of 5.1 billion.

Table  
Alternative Population Projections  
(in millions of people)

1. Assuming Global 2000's "most likely" or "medium" projections (slightly updated) which imply some decline in fertility.

	<u>1979</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2050</u>
WORLD	4,374	6,158	6,945	7,664	9,024
DEVELOPING	2,272	3,762	4,446	5,087	6,351
DEVELOPED	1,123	1,272	1,327	1,378	1,481
CHINA	979	1,124	1,172	1,199	1,192

2. Assuming contraceptive use in developing countries rises from about 25% in 1980 to about 50% in 1990, causing fertility to drop faster.

WORLD	4,374	5,687	6,223	6,691	7,520
DEVELOPING	2,272	3,291	3,724	4,114	4,847
DEVELOPED	1,123	1,272	1,327	1,378	1,481
CHINA	979	1,124	1,172	1,199	1,192

Source: U.S. Bureau of the Census, projections for Global 2000 and for IDCA.



The simplest and fastest way to reduce birth rates is to supply family planning services so that unwanted births can be avoided. Most people lack family planning services, yet many say they would prefer smaller families or no additional children. Thus provision of family planning services will reduce average family size. But bringing family size to, say, two children will also require development that builds demand for family planning, particularly by broadening women's opportunities so they are less dependent on children for economic and social reasons and by improving children's survival prospects so that parents believe it worthwhile to invest more in a child's education or care.

Family planning services can be extended in a number of ways, depending on a national government's commitment to reducing population growth. In countries like Indonesia where strong commitment exists, direct assistance to family planning programs, sometimes as part of broader health care, is often the best way. In countries where such commitment is only nominal, the approach must involve gradually building family planning into the overall primary health care system and relying more heavily on non-governmental institutions such as the U.N. Fund for Population Activities and International Planned Parenthood Federation, as well as on commercial distribution channels.

This leadership plan calls for an additional investment of \$238 million in family planning and primary health care in FY 1982 as a first step toward doubling population resources by 1985. If other donors and recipient countries do their part, we believe the target of doubling contraceptive usage by 1990 can be reached.

Our bilateral program in health and population represents a comprehensive approach. We emphasize primary health care and family planning, particularly because other donors do so little in family planning. We also support certain aspects -- especially research and development -- of water and sanitation, disease control, and health planning that complement the more massive efforts of other donors in these fields.

These programs must continue in the years ahead. Given the urgency of the growth in the world's population, however, we propose to concentrate the resources of this leadership effort solely on primary health care and family planning activities. And even here, the leadership package represents a departure -- a shift in focus from those countries with a demonstrated commitment to lowering population growth rates to those with a somewhat lesser commitment. For, while more remains to be done in such committed countries as Indonesia and Thailand, the catalytic role of the outside donor is beginning to diminish. It therefore makes sense to begin to refocus our attention on countries where the commitment is somewhat weaker and the need for outside donor support essential. We will give priority to those countries where we can be reasonably certain that family planning will be an integral component of the primary health care system. We believe this is the case in countries such as India, Nicaragua, and Peru. For countries where the government's commitment is less clear, which includes many in Africa, we are proposing making funds available on a regional basis, to be programmed over time for family planning within the primary health care system.

We recognize that direct bilateral assistance in family planning from the United States or other nations may be politically unacceptable, particularly for governments that find it difficult openly to champion family planning. In these countries, private or nongovernmental organizations can play a unique role. The second major portion of funding for family planning will be allocated to the principal private intermediaries and the UNFPA. The remainder will support increased experimentation with alternative contraceptive delivery systems and commercial retail sales, as well as research on the determinants of fertility and on more effective contraception.

Allocations for family planning and primary health care within the leadership program are described in Annex B.

### C. Meeting Energy Needs

In no priority area are the challenges to development more starkly drawn than in energy; in none are linkages between our own national interests and those of the Third World countries more obvious. Their energy development improves our energy security. A barrel of oil produced, replaced with more abundant sources, or conserved in a developing country gives the whole world a little longer to make its transition away from oil, speeds the transition itself, and by diversifying oil sources and increasing supply makes the oil trading system more reliable for all nations. Helping Third World nations stabilize the world's forests can reduce the damage to the world's air, water, soil, and vital ecosystems. Assisting in the development of alternative energy sources is the most viable means at hand for the United States to reduce the incentives for countries to rely prematurely on nuclear power.

The industrialized countries are in the midst of a long transition to an energy system less reliant on oil. Difficult as this transition is for countries such as ours, it is even more difficult for most developing countries. These countries must accomplish a double transition. Not only must their modern sectors make more efficient use of commercial fuels, but their poor must shift to more efficient uses of traditional renewable energy sources.

The facts are plain. Numerous recent reports -- including the Brandt Commission, Global 2000, and the World Bank study -- have concluded that both the oil and traditional fuel problems seriously threaten sustained development. As a group, the oil-importing developing countries are even more dependent on OPEC than the industrialized countries. A greater percentage of their commercial energy is imported and a higher proportion of their export earnings is spent for this purpose. The net oil bill of these countries and their net trade deficits are both expected to total between \$50 and \$60 billion in 1980 and the oil bill is likely to double by 1990.

The most impoverished developing countries are hardest hit by these balance of payments difficulties, since they are less able to expand their exports rapidly. Moreover, when countries face financial difficulties, the first services reduced or investment projects delayed are those of most direct relevance to those with least political power -- the poor.

A great deal can be done to help developing countries meet the energy challenge. We have identified six areas in which important progress can be made. Vast tracts of unexplored sedimentary basins exist throughout the Third World. In the oil-importing developing countries alone, oil and gas production could increase from 2.6 million barrels a day now to 5.9 million barrels a day or more by 1990 according to a recent report by the World Bank. An accelerated exploration program begun in the next few years is likely to lead to even greater expanded production in the 1990s. Coal, now used largely in India and China, can substitute for about 2.1 million barrels a day of oil by 1990. This will require increased exploration and production as well as increased reliance on coal imports particularly from the United States. To stabilize the fuelwood situation, the World Bank estimates that some 125 million acres of replanting will be required by 2000. At the same time, demand for fuelwood can be reduced by the spread of more efficient technologies such as improved cookstoves. There are also good prospects for expanded application of new renewable energy technologies of many kinds, especially in rural areas. The potential for increased hydropower -- currently accounting for 44% of developing country electricity output -- is great; only 10% of feasible potential has been exploited. Finally, extensive gains in energy efficiency are possible, perhaps as much as the equivalent of 2.3 million barrels a day of oil. These gains can derive from better energy planning and policies and direct efficiency improvements in the industrial and transportation sectors.

In each of the six energy areas -- oil and gas exploration, coal usage, fuelwood, new renewable energy sources, hydropower, and energy efficiency -- development is constrained by lack of both technical and financial resources. The mix of needs differs widely among these six as does the degree of required experimentation and demonstration. The AID program within the OMB planning level for 1982 to 1985 is designed to provide technical assistance to support accelerated capital investment in each area. The two areas where additional concessional funding is most crucial are fossil fuel exploration and development and reforestation. These, therefore, are the targets for new energy efforts in the leadership program.

In terms of fossil fuels, we are optimistic that several important multilateral initiatives will reach fruition in the coming two years. The Venice Summit urged the World Bank to consider a new facility for energy financing and the Bank has announced plans to move in that direction. A facility that meets our expectations -- by including major OPEC participation and providing incentives in critical areas such as exploration -- will surely merit U.S. support. Similarly, the Venezuelans are attempting to organize a Western Hemisphere initiative for regional cooperation in energy planning and development including a new fund administered by the Inter-American Development Bank. At a distance, we have begun to demonstrate our interest and exercise influence to assure a proposal that meets U.S. energy, economic, and regional political objectives. If the project succeeds, it will deserve support. The amounts of the U.S. shares in these initiatives cannot be known now, although our outyear estimates include these subscriptions for planning purposes. By 1986, we project a funding level of \$435 million.

If deforestation continues at present rates, forests in the Third World will be reduced almost by half by 2000. This will have a severe impact

on the availability of fuelwood -- used particularly by the poor. In addition, deforestation greatly affects water, soil and flood management, i.e., tomorrow's agricultural base and the global environment.

Most of the energy used in rural areas goes to the growing and cooking of food. Traditionally, wood has been the preferred cooking fuel, with crop or animal wastes used where wood is scarce. Growing populations and rising energy costs in many areas of the Third World are causing deforestation, devegetation, declining water tables, soil erosion, silting, desertification, and flooding as forests are destroyed. There is no greater environmental problem than this for the earth and its people. As tropical forests are lost, additional carbon dioxide builds up in the atmosphere creating a greenhouse effect and threatening the world's climatic balance.

If present trends continue, virtually all of the physically accessible forests in the Third World will have been lost within the lifetime of those born today. The World Bank has concluded that a massive reforestation program is essential and that at least 125 million acres of planting is required during the next 20 years in order to meet demands for fuelwood and to stabilize the tropical forest cover. In energy terms alone, the benefits of such an effort would be enormous. At least 500 million persons would be provided fuelwood on a sustainable basis, potentially saving more than 10 billion gallons annually of imported commercial fuels, which at today's prices would cost more than \$7 billion.

The Bank's projections imply a planting requirement of 6.25 million acres annually. The present planting rate is 1.25 million acres a year, leaving a gap of 5 million acres. The cost of filling this gap will be \$1.5 -2.0 billion a year. Achieving this planting rate will require a worldwide increase in planting of trees of five or six times the present level, a sizeable increase but an achievable target. However, as the recent Inter-Agency Task Force on Tropical Forests has emphasized, this target is achievable only if Third World countries and the industrialized countries themselves are both committed to major new programs of reforestation, fuelwood planting, and sound long-term forest management.

Fuelwood development cannot readily be separated from other rural development questions. As such we see a strong role for AID with its long experience in rural development. Additionally, AID can play an important role in experimenting with alternative approaches that would later be appropriate for broader application. In the leadership package for FY 1982, we propose an additional \$100 million to support the replanting of 250,000 to 300,000 acres. This will provide fuel for about one million people annually and replace the equivalent of 20 million gallons of imported oil annually.

The World Bank has prepared the foundation for this effort. Following a two-year intensive country-by-country analysis of the Third World, it has identified the dimensions of the fuelwood problem and laid out an approach for addressing it for each of some seventy countries.

The leadership package proposed for FY 1982-86 will apply additional resources, strategically targeted at selected countries -- and selected activities -- where the greatest need exists and where the greatest impact is

possible. These resources are designed to give early and substantial effect to the priority goals recommended by the Tropical Forests Task Force: policy commitments and adoption of programs by all governments for sound long-term forest management; an internationally coordinated program; substantial increase in the level of new plantings; intensified research and development; and introduction of low-cost alternative energy and food production systems.

AID programs in this area will complement the World Bank programs and concentrate in areas where AID has experience and relevant expertise. These areas include experimental projects, village or family woodlots, expanded fuelwood plantations, research and development on improved tree species (especially fast growing trees and those appropriate for arid and semi-arid lands); erosion control measures; improved analysis and survey techniques; and training programs and pilot projects in forest management to strengthen developing country institutions. A major U.S. effort would be directed to programs enlisting the widespread participation of all available voluntary resources -- local, national, and expatriate -- at the town and village level.

The leadership proposal funds in 1982 will be directed to supporting medium-scale efforts in Africa, Asia, and Latin America. Countries have been selected in these regions on the basis of the intensity of their fuelwood problem, the willingness of governments to devote their own resources to the problem, and the similarity of their situations to those in other countries where the fuelwood problem is acute. This latter factor is important so that AID's successful initiatives can be applied in other locations.

Allocations for energy within the leadership program are described in Annex C.

## II. Foreign Economic Assistance Base

The leadership proposal builds on a base of the planning levels approved by the President for the foreign economic assistance components. This Part justifies the elements and ranking within each component, highlights program strengths as well as problems, and explains the interranging that IDCA adopted. We have reviewed with the State Department the country allocations for both Development Assistance and the PL 480 program, and the Department has concurred in those allocations.

### (a) Multilateral Development Banks

Last year's submission stressed the role of the multilateral development banks (including IFAD) as a primary source of concessional financing for the developing world. That role -- and its importance -- remains equally true today. These banks remain the principal source of project funding in such critical areas as agriculture and rural development, energy, natural resources, education, transportation and communication infrastructure, and small-scale industrialization.

But the financial and economic events of the past several years have highlighted a second role, namely that of helping the global economy adjust to

the serious financial and economic problems exacerbated by oil price increases. The World Bank, encouraged by the United States and other Summit nations to take the lead in the energy area, has offered several proposals, including the recently announced plan to establish an energy affiliate with its own capital structure. The Asian Development Bank and the Inter-American Development Bank are also taking new energy initiatives.

At the same time, it is clear that project-related assistance is insufficient to meet many specific balance of payments problems. In order to achieve macroeconomic reforms while disbursing funds more quickly, the World Bank has also started to address the difficult task of structural adjustment by making non-project loans that combine financing with a set of corrective economic actions and policy measures. It is likely that this program will expand sharply in the next few years.

In supporting these institutions, the United States has three near-term objectives: to pay all arrearages and planned subscriptions, to focus the banks' programs more on the key development constraints, and to integrate better their programs with our own bilateral efforts. To achieve this last objective, it is imperative that donor activities in each recipient country be better coordinated. General agreement among the donors and with the government of a recipient country is needed on development goals and objectives and on a division of responsibilities that takes into account the comparative advantages of the various donors involved. To this end, IDCA has established a project review system that provides analysis of proposed World Bank and regional bank projects in key developing countries. Those analyses give us information on how particular bank activities relate to a country's development priorities and enable our Executive Directors to provide substantive comments to bank staff at an early enough stage of project preparation that changes can still be made.

Complementing this initiative, the annual Country Development Strategy Statements (CDSS) prepared by AID missions are to describe the activities of other donors, particularly the banks, and discuss how the proposed five-year bilateral program is congruent with the programs of multilateral institutions. There is room for improvement in the process, and we will press on this front during the course of the year.

In addition to urging the banks to increase their energy and rural development activities, we have also sought to encourage them, through a variety of means, to become more deeply engaged in sectors that they traditionally have avoided, such as family planning, and -- drawing on the experience gained in the bilateral program -- have underscored the important role that women play in the development process.

#### (b) Agency for International Development

The AID budget is designed to focus attention on the three priority sectors; stress country performance in the allocation of funds; and continue to experiment with less labor-intensive management techniques.

Funds allocated to the three priority sectors increase from \$1.1 billion in the 1981 Congressional Presentation to \$1.3 billion in the 1982 request at the OMB mark, an increase of 18%.

- Agriculture, Rural Development and Nutrition accounts for 52% of the Development Assistance request. Emphasis is on improving the productivity of small farmers, with substantial increases proposed in funding for projects in irrigation, farm credit, rural farm-to-market roads, marketing, agricultural research and extension, and agricultural inputs such as seeds and fertilizers.
- At \$289 million, the Population account increases by 21% over the FY 1981 C.P. level. Largely due to increases in Asia, the direct country program share is larger than in previous years. Another \$17 million in ESF is also designated specifically for family planning.
- Funding for energy programs (excluding rural electrification) increases by 38% over the FY 1981 C.P. level, itself an increase above previous years. The program has concentrated on fuelwood and new renewable energy technologies, with major attention to training and institutional development; analysis of needs, uses and resources; and testing and demonstration of new technologies. The scope of the energy program is expanding to include technical assistance across the full range of energy technologies identified in Part I. The budget also includes funding for important conventional energy activities, e.g., training and geological surveys.

AID has also intensified the degree to which good development performance, relative need, and the importance of development to the long term interests of the United States are recognized in the budget. This has been done in several ways. First, by selecting nine countries (Sri Lanka, Thailand, El Salvador, Honduras, Nicaragua, Cameroon, Gambia, Upper Volta, and Somalia) which exemplify these characteristics and by including their entire budgets (at the original planning level) within AID's ZBB "current" level. Also, in ranking other countries, AID has generally followed the results of a review which evaluated countries according to these three criteria.

Second, no new Development Assistance obligations are proposed for FY 1982 for six countries in the FY 1981 C.P. These are Paraguay, Benin, Djibouti (proposed shift to ESF), Chad, Seychelles, and Tunisia. (Nigeria was in the 1981 C.P. but no program will be actually started.) For Sierra Leone, FY 1982 will be the last year of new obligations as a direct bilateral mission. Programs in Costa Rica, Panama, and Indonesia have been modified to reflect each country's greater ability to finance its own development. Because each has a special political importance for the United States, we are not proposing a phase-out, but are reducing the level of assistance and focusing the program heavily on technical assistance. The programs in Panama and Costa Rica will be especially focused on energy.

A third and final aspect of our increased attention to country performance is a two-track planning approach in certain countries. In these countries (Burundi, Ghana, Zaire, Liberia, Rwanda, Guatemala and Jamaica), the recommended planning levels are closer to the lower level than the upper

level. We should be prepared at a later date to reprogram some funds from elsewhere in the budget should major positive breakthroughs occur in the next year.

Experimentation with less labor-intensive management techniques continues. The program in the Congo, to be initiated in FY 1981 without a resident mission, appears to be progressing well and will emphasize rural infrastructure and cooperative development. AID is now planning the gradual transition of the Guyana program from one requiring eleven Americans in-country to one that can be handled regionally. And the planned re-institution of a program in the Central African Republic (terminated in 1979 because of the excesses of Emperor Bokassa) will be managed from Cameroon.

Earlier this year, in its annual policy statement, IDCA concluded that the Caribbean Basin and Sub-Saharan Africa require special development efforts. The proximity of the Caribbean Basin, its political turmoil, growing refugee problem, and economic stagnation make it an area of high priority for the United States. Sub-Saharan Africa is also an area of special concern: the development tasks facing the governments of these countries are extraordinarily complex. Over the past few years, U.S. efforts have increased substantially in both regions. From 1978 to 1981, U.S. bilateral assistance to the Caribbean basin countries, including Development Assistance, PL 480, and ESF, increased by 66%. Total assistance to Sub-Saharan Africa increased by 60% over the same years. In 1982, we will continue to focus U.S. efforts on these two regions: apart from the leadership program, total assistance in both regions will increase from 1981 levels by 28%.

#### U.S. Economic Assistance to Sub-Saharan Africa

(\$ Millions)

<u>Year</u>	<u>AID</u>	<u>PL 480</u>	<u>ESF</u>	<u>Total</u>
1978 Act.	218.5	132.2	110.7	461.4
1979 Act.	248.6	169.8	53.0	471.4
1980 Est.	279.1	220.0	123.2	622.3
1981 Req.	393.0	204.1	140.0	737.1
1982 Rec.	468.2 <u>1/</u>	245.9	251.0 <u>2/</u>	965.1

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1/ Includes \$15 million for the African Development Foundation.

2/ Tentative State Department request.



U.S. Economic Assistance to the Caribbean Basin

(\$ Millions)

CARIBBEAN

<u>Year</u>	<u>AID</u>	<u>PL 480</u>	<u>ESF</u>	<u>Total</u>
1978 Act.	67.9	34.8	11.0	113.7
1979 Act.	71.2	49.7	0	120.9
1980 Est.	67.0	67.1	0	134.1
1981 Req.	82.6	52.2	3.0	137.8
1982 Rec.	84.1	46.4	20.0 <u>1/</u>	150.5

CENTRAL AMERICA

1978 Act.	58.5	10.9	0	69.4
1979 Act.	89.2	20.0	8.0	117.2
1980 Est.	107.1	33.5	5.0 <u>2/</u>	145.6
1981 Req.	115.3	25.0	25.0 <u>2/</u>	165.3
1982 Rec.	122.2	27.4	65.0 <u>1/</u>	214.6

TOTAL CARIBBEAN BASIN

1978 Act.	126.4	45.7	11.0	183.1
1979 Act.	160.4	69.7	8.0	238.1
1980 Est.	174.1	100.6	5.0	279.7
1981 Req.	197.9	77.2	28.0	303.1
1982 Rec.	206.3	73.8	85.0 <u>1/</u>	365.1

1/ Tentative State Department request.2/ Excluding 1980 Supplemental.(c) PL 480 Food Assistance

The PL 480 food aid program, accounting for about one-third of U.S. bilateral assistance, can accomplish many of the same objectives as dollar aid while enjoying greater congressional support. However, partly because of history and partly because of the knowledge that PL 480 levels may drop when U.S. supplies are tight (a problem exacerbated by our current practice of denominating the Egypt Title I program in tons), food aid has frequently not been used as effectively as possible.

Progress has been made over the past several years. Both AID and USDA have been reorganized to increase staff time and attention to better use of

food aid. AID is starting to apply approximately the same planning process for PL 480 -- including the two-track approach for countries such as Haiti and Zaire -- that it has developed for Development Assistance. Missions overseas have begun to address PL 480 more thoughtfully and imaginatively in their annual submissions although their analysis, particularly of Title II, clearly needs improvement. The Philippines, for example, hopes to be able to use Title I foods to support the government's efforts to implement a national Food and Nutrition Plan to increase production and equitable consumption. And in Bangladesh, food aid is being used along with substantial other donor support in irrigation and food storage, to initiate an essential food security program.

Apart from the initial steps toward using PL 480 for food security proposed in Part I, more work needs to be done before the PL 480 program can be effectively expanded to help meet the ever-growing consumption needs of the Third World. We are, therefore, requesting a PL 480 program of only 6.0 million tons within the basic budget -- almost half a million tons less than originally planned for FY 1981. Because of price increases, however, the 6.0 million tons will cost approximately \$120 million more than the original planning ceiling calculated in May. The cost may rise still further in November when USDA revises its 1982 estimates once again.

The volatility of commodity prices undermines sound program management and makes planning, both in the aggregate and within each country mission, very difficult. Two steps should be taken to alleviate the problem. First, we will propose a change in either the authorizing or appropriations language to allow some flexibility in appropriations levels to accommodate large swings in prices. We will work with USDA in devising this language. Second, we once again propose changing the Egypt Title I program from a tonnage to a dollar commitment (and our request for \$1.8 billion is premised on approval of that proposal). Our original projections for 1981 included \$247 million to buy 1.5 million tons for Egypt; the cost has already increased to \$288 million and may rise still further. The need to maintain sufficient flexibility to accommodate price fluctuations of this magnitude effectively holds the rest of the Title I program hostage to the program in Egypt -- and is an important factor in discouraging missions from according PL 480 the serious, sustained attention that good programming demands.

#### (d) International Organizations and Programs

Over the past year, we began a thorough review of all major international organizations to which the United States makes voluntary contributions. We will continue that review this year, with the goal of further evaluating development effectiveness and ascertaining which programs best meet the priority needs of the Third World. This year's budget continues to concentrate our assistance on the United Nations Development Program (UNDP) and UNICEF. These two organizations will absorb 77% of our voluntary assistance to the UN system. We strongly support the UNDP; it fulfills a unique function as coordinator of UN technical assistance efforts. Its operations not only assist our bilateral efforts but provide support to many non-AID countries as well. At the request of the multilateral development banks, the UNDP is also expanding its role as design agency. The UNDP has

been responsive to American emphasis on the need to concentrate resources on the poor. In its Third Cycle (1982-1986), it will allocate about 80% of its country resources to nations whose per capita GNP is below \$500 (compared with 67% in the last cycle) and will progressively increase the share of countries with a per capita GNP of less than \$250.

UNICEF is the UN agency most directly engaged in meeting basic human needs; its programs operate in 110 countries in which almost a billion children live. It has a special ability to operate in extremely sensitive political areas to both encourage long range development and improve the welfare of children. UNICEF operations and management are particularly highly regarded. As of May 1980, UNICEF had prepared over \$130 million of projects for which funds were not available.

We will continue to support a number of smaller UN agencies because we find they address global problems in a way that bilateral programs cannot. We have included a request for a second \$10 million contribution to a subsidiary endeavor of the UNDP, the UN Interim Fund for Science and Technology for Development, which is intended to improve the capacity of the developing nations to utilize science and technology for their own development. Our 1981 pledge of \$10 million represents about 20% of total pledges received and will contribute to the funding of the fifty-five projects now ready for implementation. The United States conditioned its contribution on significant OPEC participation in the Interim Fund. Although OPEC participation to date has been minimal, there are hopeful signs that the Saudis and Kuwaitis, among others, will finally become active supporters. We thus believe it appropriate to make provision once again for a U.S. contribution to this important undertaking. If OPEC support does not materialize by later this fall, we would re-allocate these funds to UNDP. In addition to the Interim Fund, three other UN programs have a comparative advantage in meeting important needs. The UN Environmental Program provides a unique avenue for international coordination on problems of global environmental degradation. The FAO Tropical Forestry Program, the only one of several FAO voluntary programs for which we are requesting funds, should serve as an important focal point of a new international effort to improve the management of tropical forests. The activities of the FAO in this area, like those of AID, are a critical precondition to the kind of major investment needed to reverse current trends. Similarly, a number of OAS programs encourage regional cooperation between countries -- such as the Dominican Republic and Haiti -- that otherwise would not work together.

The budget also includes funds for the administrative portion of the U.S. pledge to the World Food Program as well as for a number of smaller organizations that remain in the IDCA budget though not predominantly developmental.

#### (e) Overseas Private Investment Corporation

OPIC, which facilitates private American business participation in the development of Third World countries by means of its guarantee and insurance programs, and the Housing Guarantee Program (see below), which encourages United States investment in urban areas of the developing world, both have

considerable developmental potential. Both are already important sources of scarce capital at a time when the needs of the poorer countries are rising rapidly.

OPIC has made significant progress to date in meeting its legislative mandate to encourage projects in the poorest of the developing nations. This year, OPIC has insured 87 projects in 30 developing countries (up from a total of 69 projects for all of FY 1979). Of these projects, 41 (or 47%) were in the poorest LDCs (under \$520 per capita in 1975 dollars) and another 24 (28%) were in countries with per capita GNPs of less than \$1000. Nine (10%) were in Taiwan where OPIC is under a congressional directive to make its programs available on an unrestricted basis. Thus, only 13 (15%) of the new FY 1980 insurance projects are in the restricted higher income LDCs, and these projects were encouraged in accordance with other specific OPIC mandates or policies, such as supporting smaller investors and energy projects. If the results of OPIC's finance program are included, the geographic spread of OPIC's activities and the bias toward the poorest LDCs is even more impressive. Sixteen of the 18 finance projects (or 87%) projected in FY 1980 will be in the poorest developing countries. These 18 projects compare to only 14 in the previous year.

IDCA endorses OPIC's FY 1982 budget presentation. We are encouraged by last year's performance and convinced that the authorities requested for FY 1982 will continue to be utilized in a manner calculated to help both U.S. business and development in Third World countries. We believe a \$10 million level for Direct Investment Fund (DIF) projects especially important because they are aimed at encouraging smaller investors to do business in poorer developing countries. Expansion of the guarantee program to \$180 million -- \$30 million above the OMB mark -- will enable OPIC to undertake programs in Zimbabwe and the People's Republic of China, both initiatives responsive to U.S. foreign policy objectives and to priority development challenges.

#### (f) Housing Investment Guaranties

The proposed expansion of the housing guaranty program furthers U.S. efforts to obtain more financial resources for developing nations at a time of acute need and to induce maximum private participation in the development process.

More than 50% of the world's poor will reside in urban areas by the early 1990s. In Latin America and the Near East, 60% and 40% respectively of the existing populations are already urban dwellers. The worldwide need for low cost housing far exceeds present availabilities of either the multilateral banks or the bilateral donors.

The housing investment guaranty program addresses a number of the basic human needs of the poor by addressing the major development problems resulting from rapid urbanization: shelter, water and sanitation, community and health facilities, and job creation. In the past, the program has had a great impact on national shelter policies and in generating internal resources for housing and urban finance. It operates with a small staff, though it funds relatively large activities in dollar terms.

We believe the total level of the program should be expanded beyond the \$225 million included in the planning guidance to \$300 million in FY 1982. Projections envision \$400 million the following year. The increase will be focused on three categories:

- Large programs, on the order of \$50 million in a given year, in selected countries where the size of the urban population, the need for shelter, the absorptive capacity, and U.S. interests intersect. India, Indonesia, and Nigeria are in this category.
- Increases in the level of authorizations in countries such as Kenya and Zimbabwe, which are now limited by both the \$15 million per country annual average and \$25 million per country annual limitation.
- Countries where the United States is reducing or phasing out regular bilateral programs and it is desirable to maintain a U.S. presence. This category consists of middle income countries such as Tunisia and Jordan.

(g) The Trade and Development Program

The Reimbursable Development Program has been transformed into the more autonomous Trade and Development Program within IDCA. In this budget, we propose almost doubling the financial resources available for promoting business over FY 1981 levels. The aims of this program are three-fold: first, to increase the access of middle-income and AID-graduate countries to the technology needed for their own development; second, to promote U.S. exports; and third, to harness the resources of the U.S. private sector in our development efforts. TDP provides grants to developing countries to finance pre-feasibility and feasibility studies and other pre-investment activities conducted by American firms or agencies, thereby laying the groundwork for high priority development projects. When feasibility studies are carried out by U.S. entities, U.S. contractors are often selected to undertake the actual projects. In this way, both the countries' development goals and U.S. trade objectives are met.

Since the decision two years ago to promote projects working with the U.S. private sector, requests for assistance have far exceeded the program's resources and important development projects have remained unfunded. With a doubling of resources, TDP will be able to increase its pre-investment activities considerably. In the past, these activities have led to projects of great long-term development value, such as construction of a gas pipeline in Thailand and the technical and vocational training of 2500 Nigerian students. During the past six years, total TDP expenditures of about \$6 million have resulted in approximately \$2 billion in contracts with U.S. government agencies and private firms.

TDP financed studies lead to projects in the critical areas of energy development, large scale agriculture infrastructure development, and planning and manpower training. These are sectors we support through AID, the MDBs, and the UN institutions; moreover, the projects are located in countries whose

development is important to the United States, such as Turkey, Tunisia, Sudan, Indonesia, Peru, and Zimbabwe.

With more resources, TDP plans to increase the number of its overseas attaches to ensure better coordination with LDC planning ministries, embassy and AID officials, and the multilateral development institutions. TDP will be alerted to potential projects at an earlier stage. Greater resources will also allow it to finance more feasibility studies and be more responsive to the need for technical assistance in countries such as Tunisia that no longer receive Development Assistance. TDP also plans to make a particular effort to play a transitional role in countries likely to become AID graduates in the relatively near future.

#### (h) Other Development Programs

While respecting their distinctive mandate to work at the grass-roots level with non-governmental groups, we have worked collaboratively with both the Peace Corps and the Inter-American Foundation.

We expect that the imminent appointment of the Deputy Director of IDCA to the Board of the IAF will make it easier to identify areas of future joint activity with the Foundation.

The Peace Corps is a key component of our country's development efforts. Fifty-eight hundred volunteers are lively, personal manifestations of U.S. commitment to helping the people of the Third World help themselves. In sixty-one countries, Peace Corps Volunteers are working effectively, as they have been for twenty years, to foster the human development that is an essential ingredient of our broader foreign assistance efforts.

More and more, these efforts are being carried out in collaboration with AID. For example, significant joint initiatives in the high priority energy and forestry projects are now underway. Further, returning volunteers add to the 80,000 who have already served in every corner of the Third World in forming an increasingly important domestic constituency that understands the importance and needs of the Third World.

This budget also proposes \$15 million for a new African Development Foundation, patterned after the Inter-American Foundation and included by the relevant House committees in the 1981 authorization and appropriation bills. The primary purposes of the Foundation are to support self-help activities at the community level, to encourage development of indigenous development institutions, and to stimulate participation of Africans in their development process. As provided for by the House bill, the Foundation will be a government corporation governed by a seven member Board of Directors with a staff of up to 75.

To carry out the anticipated intent of Congress in establishing this new institution, we have included a request for a \$15 million, no-year authorization for the Foundation. These funds should be adequate for the initial two to three years of the Foundation's existence. We have been able to accommodate \$5 million of this total within the OMB planning level

established for AID. The balance of \$10 million is proposed as additional funding above the OMB mark. We believe a new institution in this area should have initial funding sufficient to operate for several years before being forced to seek annual appropriations. We do not, however, believe that objective to be of such priority as to reduce further planned 1982 activities.

Pending completion of FY 1981 congressional action on the foreign assistance bills, we plan to establish a small working group drawn from both AID and the Department of State to implement the legislation. While respecting the intent of Congress to establish an independent entity, we will insure that the Foundation's activities complement our overall development goals and programs in Africa. (A discussion of the Foundation's staff is included in the personnel section that follows.)

#### (i) Personnel

To carry out the program set forth in this submission, we are requesting a personnel ceiling for IDCA in FY 1982 of 5,785. This is the same level as projected in last year's budget request and would continue the gradual decline throughout the planning period to 5,607 by FY 1985.

To illustrate what this figure implies for the several IDCA components and to highlight the problems of staffing for science and technology since the failure to gain congressional approval of funding for ISTC, we have separated science and technology from other AID functions. The two should be re-added, however, to reach a total AID staff level.

Over the course of the planning period, AID staff levels will continue to decline. This year's personnel request for AID is 5,435 -- a decrease of some 83 positions from last year's request of 5,518. In order to ensure that AID maintains its well-regarded field capability, a decision has been made by senior management to take this reduction for the most part in Washington. Thus, the proportion, though not the absolute number, of AID staff in the field will increase. In conjunction with the projected decrease in the number of country missions and the exploratory programs AID has undertaken to ascertain if field programs can be made less manpower intensive (through sector loan techniques, sharing of staff among missions, etc.), we believe that high calibre programs can be maintained and expanded.

The contemplated decline in AID must be accompanied by a substantial increase in the number of people working on science and technology in response to the President's request. In this year's budget, 40 AID positions are devoted to this initiative. Of this number, twenty-three will be re-assigned to the Development Support Bureau to implement the activities originally scheduled for transfer to the ISTC; seven will be used to establish the Science Advisor's Office; and an additional ten will be allocated by the Science Advisor to improve the Agency's research management. By 1985, current IDCA planning envisions a level of effort for science and technology in AID comparable to what had been planned for the ISTC.

We are confident that the leadership program can be managed within existing personnel ceilings. AID missions have already been planning for

substantial increases in program levels based on past Presidential decisions. As a result, they are prepared to manage larger programs in food production, population planning, and energy. To illustrate, AID was forced to cut over \$300 million from mission and central bureau request levels to fit within the OMB planning mark, and these request levels were already sharply constrained by Agency planning guidelines. In addition, AID can draw heavily on intermediaries such as the International Planned Parenthood Federation and the U.S. Land Grant Universities for program implementation. Finally, many individual activities within the leadership program will expand on demonstrably successful ongoing AID projects, particularly in the agriculture sector, and will therefore be less staff-intensive than other new activities.

Strengthening of the Trade and Development Program -- stationing more attaches overseas and handling significantly increased numbers of projects -- will probably require more than the 22 staff members included in the FY 1982 budget. Thus we are anticipating some increases in this area as well, but are not proposing a specific increase at this time.

IDCA's planning also takes into account that OPIC's reauthorization may include legislation removing certain limiting restrictions in the number of countries in which the program can operate and adding an important trade promotion mission. Under these circumstances, the Corporation reasonably could require added personnel by 1985 although it does not think so at this time. In any event, IDCA strongly endorses OPIC's request for the addition of nine positions to the existing level of 123, for a total request of 132 in this budget. We merely note that the nine additional people will bring the staffing of the Corporation only to the level that was approved last fall by OMB for Fiscal Year 1981.

The IDCA Director's Office will require a staff of 77 in FY 1982. This represents an increase of only one position; the rest of the change from the 1981 level is merely the conversion to direct-hire of six positions that are presently being carried as details from other agencies and departments.

In FY 1982, the IDCA ceiling would contain an unallocated reserve of 79 positions to respond to some of the likely needs identified above, to meet currently unforeseen needs, and to handle the initial staffing of the African Development Foundation. Although Congress will probably authorize a ceiling of 75 staff members for the Foundation, staff needed for start-up is likely to be much smaller. We think the Foundation will need about 35 positions in order to get underway -- positions which, because of the set-backs of the ISTC, will not be needed for S & T in 1982. Assuming good progress on the S & T front, however, we will not be able to relinquish positions in FY 1983 or beyond and would expect the budget and personnel ceilings for the Foundation to be set separately from those for IDCA.

#### (j) Science and Technology

A final priority -- which cuts across each of the three priority sectors, and extends beyond them -- is science and technology. The President underscored the importance of this priority in his July 28, 1980, letter to the Director of IDCA on budget issues. Scientific and technical innovation,



problem solving, and the strengthening of developing country capacity to perform those functions are critical aspects of any development program, and there is scarcely any project or activity in this budget which does not involve application of new knowledge or methods. Technical capacity and innovation are important criteria for evaluation of each agency and program within this budget.

Among the multilateral development banks, the conceptual and practical leadership in science and technology, as in many other fields, comes from the World Bank. The Bank, for example, has taken a lead in the field of labor-intensive civil works. It has also undertaken, on behalf of the entire donor community, a study of research and institutional development needs in the renewable energy field, which will form the context for future bilateral programs as well as those of other donors.

The World Bank emphasizes enhancement of developing country institutional capacity, concentrating for example on agricultural research and extension institutions, where it supplements what is done by the United States through AID. In addition, the Bank enters fields not covered by U.S. bilateral programs: two-thirds of the Bank's education projects are related to science and technology, and it also engages directly in projects to upgrade industrial technology.

Within the UN system there are numerous centers of concern for science and technology. One of these, UNESCO, will spend about \$22 million per year of its assessed budget in this field over the next three years. More development-oriented activities, however, are found in sectoral agencies such as WHO and FAO, many of whose programs are financed by UNDP or by contributions from bilateral donors including AID.

The UNDP is engaged in science and technology programs not only through its country programs, but also through its global activities, and through its management of two subsidiary endeavors:

- the UN Capital Development Fund, which finances small scale applications of capital saving technology; and

- the UN Interim Fund for Science and Technology for Development, which supports projects to establish or strengthen the national capability of developing countries in science and technology.

Regional development activities through the OAS also emphasize science and technology cooperation, and the application of existing institutional capacity to development problems.

Enhancing the role of science and technology in the bilateral U.S. programs is our major focus in this area during FY 1981 and FY 1982. Dealing effectively with developing country needs in food, energy, and health and population not only requires first class scientific and technical knowledge, but presents many requirements for new solutions, or major adaptation of existing ones. Moreover, this emphasis draws on areas in which the United States is particularly strong, although our past efforts have not taken full advantage of that strength.

We have designed an effort that can be effective within the present organizational structure even though our goal of an independent Institute for Scientific and Technological Cooperation will not be achieved in those years. This fall a Science Advisor to IDCA and AID, an individual of professional standing, will be appointed. His first task will be to initiate new and innovative programs of research and cooperation with developing countries in science and technology. In addition, he will represent IDCA and its components to the science community in the United States, guide the growing program of science and technology cooperation within AID, and initiate coordination and focusing of other federal government research that is relevant to developing country needs. IDCA and the Department of Energy, for example, are currently exploring ways in which DOE can orient some of its research and development work toward the needs of developing countries.

The budget provides \$12 million of Section 106 funds in each of FY 1981 and 1982 for programs to be developed under the Advisor's guidance, including a new relationship with the National Academy of Science. In addition, the Advisor will be able to place a small number of additional personnel in key places within AID.

Key issues on the Science Advisor's first agenda are:

- developing an agricultural research strategy, including the position to be taken by the United States in the five year review of program direction being conducted by the CGIAR and the size and management of Collaborative Research Support Programs under Title XII;

- drawing into a consultative and supportive relationship other leaders of science and technology from both the United States and the developing countries, perhaps within the framework of the NAS.

As shown in the following table, programs within AID in which science and technology play a major role are growing substantially, from an estimated \$227 million in FY 1980 to \$351 million proposed in FY 1982. Some \$178 million of the latter figure, or 50%, is for scientific research. Over half of the science and technology total is, as one would expect, in food and nutrition, but almost a quarter, including the strongest growth trend, is in energy. The regional bureau giving the greatest emphasis to agricultural science and technology is, appropriately, Africa.

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*Declassified*  
*9/15/88*

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Science and Technology in AID Programs: FY 1980-1982  
(In millions of dollars)

	<u>FY 1980</u> <u>Est.</u>	<u>FY 1981</u> <u>Est.</u>	<u>FY 1982</u> <u>Prop.</u>
Agriculture and Nutrition	151	133	196
Health	20	21	22
Population	13	14	20
Energy	25	62	79
Other*	17	35	34
	<u>227</u>	<u>316</u>	<u>351</u>

\* Includes \$12 million for Science Adviser in FY 1981 and in FY 1982

(k) The Economic Support Fund

The Economic Support Fund is an increasingly important weapon in our economic arsenal, enabling the United States to respond quickly to countries that meet the dual criteria of high political importance and serious economic need. The potential of those funds to make an important contribution to economic development, and thus the need to husband those funds wisely, leads us to three observations on the 1982 ESF budget.

Our principal concern is that the Special Requirements Fund be adequately funded. We endorsed such a fund in last year's budget and the events of the past months in Central America, the Indian Ocean, and elsewhere have only deepened our conviction that restoring this degree of flexibility to the President should be one of our very highest priorities. It would also relieve some of the pressure to use development assistance to respond to international crises. The OMB planning mark of \$100 million is the minimal amount needed for this task.

Our second concern is that the levels for Egypt and Israel are likely to exceed by a wide margin the relative needs of those countries. With comfortable foreign reserves and an ESF pipeline of almost \$3 billion, there is no immediate economic impact from additional aid to Egypt. And, although Israel is under considerable economic pressure, some of that is from Israeli hesitancy in tackling her own economic problems. Indeed, the availability of ESF may put off dangerously the day when that country will have honestly to confront serious structural economic issues.

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*Declassified* *9/15/88*

*Discussed*  
~~CONFIDENTIAL~~ 9/15/88

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This concern is deepened by the effect maintenance of the Middle East levels has on American ability to respond to critical needs elsewhere -- in Turkey, in Southern Africa, in the Caribbean Basin, and in South Asia. In Turkey alone, now striving to apply austere economic measures, our estimates are that \$350 million of ESF from the United States is needed -- some \$100 million more than is currently included within the State Department's proposals.

Lastly, we stress the importance of keeping other programs in mind in allocating ESF. ESF cannot -- and should not -- supplant or undercut the IMF or the World Bank in meeting balance-of-payments needs. It is also important that ESF should not undermine efforts to use economic assistance as an incentive for sound development policies. Except in the most unusual circumstances, therefore, ESF should not be used to offset Development Assistance or PL 480 reductions that have been made in response to poor country performance.

#### (1) ZBB Rankings

Following, by institution, is a brief identification of the most significant aspects of each package.

#### MINIMUM

The minimum package of \$5.4 billion dollars would be a 5% decline from the FY 1981 request to Congress and could support only a limited number of development objectives.

We would at this level continue our high priority for the multilateral banks. This request assumes enactment of the Administration's request for FY 1981. If that request is cut, we would expect modification of the 1982 Budget sufficient to accommodate such arrearages. The high ranking accorded these institutions, especially the World Bank, reflects their central role in the international economic system. Timely and adequate payment of our contributions to these institutions is mandatory if the United States is to continue to play a major role. The second U.S. contribution to the International Development Association's sixth replenishment can be made at the \$1.08 billion level. This package also includes funding for the entire U.S. subscription to the World Bank's General Capital Increase.

The impact of U.S. participation in the Bank and our ability to influence the role of the Bank during the critical period ahead will be determined, in large measure, by our financial support for it. Making up the 1970 and 1977 arrearages, and fully subscribing our share of the GCI, would provide a strong and clear statement of U.S. support that is urgently needed. In practical terms, subscription of these shares is necessary to forestall a permanent erosion of U.S. influence by virtue of other countries picking up our unsubscribed shares and reducing U.S. voting power below the veto level of 20 percent.

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*Discussed* 9/15/88

We believe the United States should make its full subscription to the GCI in FY 1982. Doing so would have no impact on outlays because the drawdowns of the paid-in capital portion would be spread out over seven years (just as if they were actually appropriated over such a period). In effect, the United States would get all the rights and benefits of its full subscription while delaying the actual cost of the subscription over a much longer period. By making the full subscription in FY 1982, we would also get all of our votes immediately at the outset of the GCI period. Furthermore, seeking appropriation for the full GCI in one tranche would sharply minimize possibilities of congressional amendments to the legislation, which would be more likely if sought over a six-year period through annual appropriations and which might harm our participation substantially at some point during the 1980s.

We are now assuming a three-year IFAD replenishment of \$1.35 billion, with the U.S. share not to exceed 20%. On that basis, we are requesting \$90 million -- rather than the \$100 million approved last winter by the President -- for FY 1982 as the first of three annual installments. The Fund continues to represent an important vehicle to obtain development resources from the oil-exporting community.

AID's minimum package is \$1.562 billion, 81% of the FY 1981 request. Within this level, operating expenses, International Disaster Assistance, and ASHA are fully funded. In addition to regional programs, high priority is also given to \$132.4 million of centrally-funded population activities (including UNFPA and IPPF), to the new initiatives of the Science Adviser, and to the effort to address the problems of African refugees in the overall development context.

At this level, the Public Law 480 program would provide only about 5.4 million tons of food to people in poor countries. This level would provide almost a million tons less than will have been shipped in fiscal 1980 and is only marginally above the U.S. commitment to the international Food Aid Convention. Within this reduced level, high priority would be given to starting the year with a reserve sufficient to provide at least some insurance against a continuing upward trend of natural and man-made disasters.

We would not be able to fund the planned U.S. pledge to the World Food Program and would have to extend shipments against this 2-year commitment into FY 1983. The Title I program would provide little, if any, room for new developmental programs. This result could be a disincentive to the better use of the resource for developmental purposes and counter the positive steps already made. Proposed Title I country allocations would basically straight-line planned FY 1981 levels and actually provide smaller quantities of commodities.

In the minimum, U.S. contributions to international organizations would be 13% less than total contributions last year. UNDP and UNICEF, the two major instruments of U.S. voluntary assistance among the UN development programs, would be funded at FY 1981 levels. Although we would fund the administrative costs of our pledge to the World Food Program and continue our support of the UN Capital Development Fund at \$2 million, we would be unable

to fund OAS projects or Funds that implement several unique and valuable regional programs.

### CURRENT

The IDCA current budget level of \$6.1 billion would provide a modest increase over the FY 1981 request level of \$5.6 billion. The \$650 million increase over the minimum level would emphasize the expansion of both the AID Housing Investment Guaranty program and the new Trade and Development Program.

In the multilateral banks, the U.S. contribution to the IDB's FSO replenishment will be made.

The AID program is funded at \$1.916 billion. Within this level, full funding is provided for the nine "good performer" countries. Priority has also been given to population activities (\$2 million over the FY 1981 request), to energy programs (\$25 million over the FY 1981 request), and to the Sahel program (\$8 million above the FY 1981 request).

The PL 480 program is funded at the original mark of \$1.680 billion. Rather than the 6 million tons this dollar level was designed to provide, however, it will support only an estimated 5.5 million tons. Of this total, 1.85 million tons will be channeled through the Title II program, including a reserve of almost 600,000 tons. Although this level would allow the United States to meet its currently planned shipments to the World Food Program, the Title I level would not increase.

A contribution to International Organizations at this level would permit only 4% growth in our contribution to UNDP over the FY 1981 level. This amount would not adequately demonstrate our support of the organization, particularly in light of the U.S. support of UNDP's increased focus of its resources on the poorest countries. UNICEF would show a 9% rise which would not be commensurate with our evaluation of this organizations's goals and performance.

This level would, however, permit a second year's funding for the UN Interim Fund for Science and Technology and allow an initial contribution to the FAO Forest Department to carry out a coherent program on tropical forestry in support of a global action program to be designed under UNEP auspices. It would also allow funding of the OAS at last year's level and provide an additional \$1 million to the UN Voluntary Fund for Women -- the most productive program of the Decade for Women -- which provides financial assistance to innovative projects (93 since 1977) to help particularly disadvantaged women in developing countries become economic producers.

The Overseas Private Investment Corporation's direct loan program would be fully authorized at \$10 million. This will allow the Corporation to continue its increased focus on activities in poorer countries and its involvement with smaller U.S. enterprises.

The Trade and Development Program will be fully funded at \$7.5 million. With these resources, slightly less than double the 1981 program level, this new

semi-autonomous agency will be able to fund larger programs that will generate greater benefits in the recipient countries. It can better help fill the technical needs of its client countries.

In support of a major expansion of the Housing Guaranty Program, a \$250 million authorization is proposed in the current proposal. These additional resources will enable the program to continue its expansion in selected countries facing major problems in providing shelter for their people. Programs can be undertaken in countries such as Sri Lanka, Ivory Coast, and India.

Finally, in response to the congressional initiative to establish an African Development Foundation, patterned after the Inter-American Foundation, we are proposing a \$15 million no-year authorization to provide sufficient funding for the first several years of the Foundation. This package, however, includes only the \$5 million actually needed in FY 1982.

#### PROPOSED

IDCA's proposed budget of \$6.4 billion maintains the intent of the several OMB marks for foreign economic assistance with two exceptions. The first, and more substantial, exception is our recommendation that the Administration seek appropriations for the World Bank's General Capital Increase in one 1982 installment rather than in multiple installments over the course of several years. The other exception is for a second tranche for the proposed African Development Foundation.

The treatment of Retroactive Terms Adjustment may also require clarification. Because the question of RTA beyond FY 1981 was not resolved during the March Budget process, we assumed RTA to be included within the planning mark. However, with congressional prospects for approval still dim, we chose to apply an equivalent amount of budget authority (\$11 million) to other programs. It is our hope that the congressional climate will improve by 1983 and therefore request that provision for RTA be included in all outyear planning calculations.

Although the proposed level is only a modest increase (15%) over the FY 1981 request, it will enable us to achieve significant gains.

Among the multilateral development banks, this package provides a contribution to the African Development Bank.

An AID program funded at the proposed level of \$2.1 billion will enable the Agency to accomplish a number of important objectives. At this level, the IDA-eligible countries will receive 91% of Development Assistance funds, with increases concentrated in Africa and Asia. We have also accommodated special foreign policy needs. The Indonesia program will reach \$75 million, allowing both additional technical assistance efforts such as the Provincial Area Development Program to decentralize government activities as well as a \$10 million loan for the purchase of oral contraceptives. Other politically important countries fully funded only at this level include Philippines, Yemen, and Peru.

The revised PL 480 mark of \$1.8 billion is included at the Proposed. This program level will provide an estimated 6 million tons at currently estimated prices. The Title I program will increase by \$120 million to a total program level of \$960 million. This will allow a Title I program for Indonesia of \$25 million to complete the orderly termination of the program in light of Indonesia's ability to finance its own commodity imports. The Egypt program of \$250 million -- i.e., a straight-lining of the FY 1981 Congressional Presentation -- is also included. The remainder of the \$120 million will increase the reserve to meet the many unknowns that can affect this program.

At this level, our total International Organizations contributions would increase 15% over last year's, and we would achieve several funding objectives. We would provide solid support for UNDP and UNICEF, increasing our U.S. assistance by 14% and 25%, respectively. In addition, we could provide adequate funds to the UNEP and finance three smaller programs, UNITAR, UNRISD, and UNESCO/World Heritage Trust Fund, which Congress singled out for support last year.

An authorization of \$180 million is proposed for the OPIC guarantee program. This will enable the Corporation to expand its efforts in such countries as China and Zimbabwe.

An additional authorization of \$50 million for the Housing Guaranty program is proposed for Nigeria, Kenya, and Sudan, bringing the total to \$300 million.

The last item is an additional \$10 million for the African Development Foundation which would provide the Foundation sufficient funding for its first several years of operation and give that new institution some breathing space before having to seek additional appropriations.

#### (m) Outyear Projections

To achieve U.S. goals, to make a real difference in the critical areas of food, population/health, and energy, the United States must maintain its leadership efforts over a period of years. As outlined above, we propose an increase of \$886 million in FY 1982 above IDCA's basic submission, and that at a minimum this level be maintained for the years of President Carter's second term.

The current planning levels through 1985 maintain the status quo; each year's increment only compensates for inflation. Total U.S. foreign assistance would decline as a percentage of GNP from .29% in FY 1981 to .25% in FY 1985. We would continue to help poor people and poor countries, but could not have a major impact on ever-deepening global problems. We could not affirm U.S. leadership in Third World relations.

Two accounts present particularly acute problems at the OMB planning levels. First, OMB's intent in calculating the outyear figures for the PL 480 program (i.e., to increase the volume of food aid to a level of 6.5 million tons in FY 1985) would be frustrated. Recent re-estimates of commodity prices suggest that these original planning levels must be increased by \$200 million,



\$160 million, and \$120 million in FY 1983, 1984, and 1985, respectively. Second, the current planning estimates for the IO&P account would result in a real decline in our support of the development institutions of the UN system. Merely to maintain the FY 1982 level proposed by IDCA in real terms would require \$350 million by FY 1985.

Development is a lengthy process and our foreign policy interests in assisting developing nations achieve their goals are long-term. With a sustained leadership effort we can significantly increase the total international resources devoted to development and substantially speed the process.

## INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

FY 1982 BUDGET REQUEST SUMMARY  
(In Million Dollars)

<u>Program</u>	<u>Minimum</u>	<u>Current</u>	<u>Proposed</u>
Multilateral Development Banks	1958	2133	2151
International Fund for Agricultural Development	90	90	90
Agency for International Development <u>1/</u>	1567	1922	2116
Public Law 480 Program Level	1608	1680	1800
International Organizations and Programs	202	243	268
Overseas Private Investment Corporation			
Direct Investment Fund:	(5.3)	(10.0)	(10.0)
Guarantee Program:	(123)	(150)	(180)
Insurance Program:	(950)	(1,000)	(1,300)
Trade & Development Program			
Program:	3.0	7.5	7.5
Operating Expenses:	1.5	2.5	2.5
Housing Investment Guaranty Program	(165)	(250)	(300)
African Development Foundation	0	5	15
	<hr/>	<hr/>	<hr/>
TOTAL	5430	6083	6449

1/ Includes IDCA/DO operating expenses and excludes FSR&DF

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 BUDGET REQUEST  
PROPOSED PROGRAM RANKING  
(\$000)

<u>RANK</u>	<u>DECISION PACKAGE: MINIMUM</u>	<u>PROGRAM INCREMENT</u>	<u>CUMULATIVE FUNDING</u>
1	MDB IDA VI	1,080,000	1,080,000
2	PL 480 PL 480 Title II Reserve <sup>1/</sup>	180,800	1,260,800
3	AID IDCA/AID Operating Expenses <sup>2/</sup>	325,926	1,586,096
4	AID AID Regional Programs	884,928	2,471,024
5	PL 480 PL 480 Country Programs	1,257,400	3,728,424
6	AID AID/DSB Population Programs	132,400	3,860,824
7	IO/P UNDP	135,000	3,995,824
8	IO/P UNICEF	40,000	4,035,824
9	IO/P UN Capital Development Fund	2,000	4,037,824
10	IFAD IFAD	90,000	4,127,824
11	MDB IBRD General Capital Increase	658,305	4,786,129
12	MDB IBRD Selective Capital Increase	14,845	4,800,974
13	MDB Inter-American Development Bank	51,547	4,852,521
14	MDB Asian Development Fund	111,250	4,963,771
15	MDB African Development Fund	41,667	5,005,438
16	TDP Trade and Development Program	4,501	5,009,939
17	OPIC OPIC Direct Investment Fund	( 5,300)	5,009,939
18	AID IDCA/AID Operating Expenses	5,104	5,015,043
19	AID AID Central Programs	174,930	5,189,973
20	PL 480 PL 480 Title I Reserve	86,800	5,276,773
21	PL 480 PL 480 Title II World Food Program	83,300	5,360,073
22	IO/P World Food Program Cash Pledge	2,500	5,362,573
23	AID AID Disaster Assistance	27,000	5,389,573
24	IO/P International Atomic Energy Agency	13,500	5,403,073
25	IO/P UN Environment Program	7,200	5,410,273
26	IO/P UN South African Development Program	1,900	5,412,173
27	AID AID American Schools and Hospitals Abroad	7,500	5,419,673
28	AID AID Science Advisor	10,000	5,429,673
29	AID AID Housing Investment Guaranty Program	( 165,000)	5,429,673
30	OPIC OPIC Guarantee Program	( 123,000)	5,429,673
31	OPIC OPIC Insurance Program	( 950,000)	5,429,673
CUMULATIVE TOTAL			5,429,673

<sup>1/</sup> Program Levels

<sup>2/</sup> Excludes \$25 Million from FSR&DF

DECISION PACKAGE: CURRENT

32	AID AID Country Programs	83,489	5,513,162
33	IO/P Organization of American States	16,500	5,529,662
34	PL 480 PL 480 Title II Country Programs	33,100	5,562,762
35	TDP Trade and Development Programs	1,482	5,564,244
36	AID AID Country Programs	184,348	5,748,592
37	MDB IDB Fund for Special Operations	175,000	5,923,592
38	OPIC OPIC Direct Investment Fund	( 900)	5,923,592
39	AID AID Private and Voluntary Cooperation	8,990	5,932,582
40	AID AID Office of Population	31,370	5,963,952
41	PL 480 PL 480 Title II Country Programs	7,900	5,971,852

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 BUDGET REQUEST  
PROPOSED PROGRAM RANKING  
(\$000)

<u>RANK</u>	<u>DECISION PACKAGE</u>	<u>CURRENT</u>	<u>PROGRAM INCREMENT</u>	<u>CUMULATIVE FUNDING</u>
42	AID	AID Central Programs	12,415	5,984,267
43	OPIC	OPIC Guarantee Program	( 27,000)	5,984,267
44	OPIC	OPIC Insurance Program	( 50,000)	5,984,267
45	IO/P	World Meteorological Organization	2,300	5,986,567
46	AID	Women in Development	295	5,986,862
47	IO/P	UN Decade for Women	1,000	5,987,862
48	AID	AID Central Programs	3,500	5,991,362
49	IO/P	UNDP UN Science and Technology Fund	10,000	6,001,362
50	IO/P	Convention-Trade in Endangered Species	150	6,001,512
51	IO/P	UNICEF	3,650	6,005,162
52	IO/P	UNDP	5,000	6,010,162
53	IO/P	FAO: Tropical Forestry	500	6,010,662
54	AID	AID Country Programs	17,432	6,028,094
55	AID	AID Central Programs	2,360	6,030,454
56	AID	AID Country Programs	4,625	6,035,079
57	PL 480	PL 480 Title II World Food Program	30,700	6,065,779
58	IO/P	International Atomic Energy Agency	2,000	6,067,779
59	AID	AID Housing Investment Guaranty Program	( 85,000)	6,067,779
60	AID	AID Office of Population	5,762	6,073,541
61	TDP	Trade and Development Program	4,017	6,077,558
62	OPIC	OPIC Direct Investment Fund	( 3,800)	6,077,558
63	ADF	African Development Foundation	5,000	6,082,558

CUMULATIVE TOTAL

6,082,558

	<u>DECISION PACKAGE</u>	<u>PROPOSED</u>		
64	IO/P	UN Environment Program	2,800	6,085,358
65	IO/P	UN Junior Professional Officer Program	250	6,085,608
66	AID	AID Housing Investment Guaranty Program	( 50,000)	6,085,608
67	AID	AID Central Programs	2,240	6,087,848
68	AID	AID Office of Population	27,218	6,115,066
69	IO/P	UN Programs <sup>3/</sup>	1,300	6,116,366

<sup>3/</sup> World Heritage Fund; UN Research Institute for Social Development; and UN Institute for Training and Research

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 BUDGET REQUEST  
PROPOSED PROGRAM RANKING  
(\$000)

<u>RANK</u>	<u>DECISION PACKAGE</u>	<u>PROPOSED</u>	<u>PROGRAM INCREMENT</u>	<u>CUMULATIVE FUNDING</u>
70	MDB	African Development Bank	17,987	6,134,353
71	AID	AID Central Programs	8,880	6,143,233
72	IO/P	UNICEF	6,350	6,149,583
73	IO/P	UNDP	4,000	6,153,583
74	AID	AID Country Programs	102,756	6,256,339
75	OPIC	OPIC Guarantee Program	( 30,000)	6,256,339
76	AID	AID Science Advisor	2,000	6,258,339
77	AID	AID Central Programs	20,680	6,279,019
78	AID	AID Country Programs	29,892	6,308,911
79	AID	AID Central Programs	90	6,309,001
80	OPIC	OPIC Insurance Programs	( 300,000)	6,309,001
81	PL 480	PL 480 Title I Country Programs/Reserve	120,000	6,429,001
82	IO/P	UNDP	10,000	6,439,001
83	ADF	African Development Foundation	10,000	6,449,001
CUMULATIVE TOTAL				6,449,001

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 MULTILATERAL DEVELOPMENT BANKS  
 FY 1982 BUDGET REQUEST  
 PROPOSED PROGRAM RANKING  
 (\$000)

RANK	DECISION PACKAGE	MINIMUM	PROGRAM INCREMENT	CUMULATIVE FUNDING
1	MDR	IDA VI	1,000,000	1,000,000
11	MDR	IBRD GENERAL CAPITAL INCREASE	658,305	1,730,305
12	MDR	IBRD SELECTIVE CAPITAL INCREASE	14,845	1,754,150
13	MDR	INTER-AMERICAN DEVELOPMENT BANK	51,547	1,804,697
14	MDR	ASIAN DEVELOPMENT FUND	111,250	1,915,947
15	MDR	AFRICAN DEVELOPMENT FUND	41,667	1,957,614
		CUMULATIVE TOTAL		1,957,614
	DECISION PACKAGE	CURRENT		
17	MDR	IBRD FUND FOR SPECIAL OPERATIONS	175,000	2,132,614
		CUMULATIVE TOTAL		2,132,614
	DECISION PACKAGE	PROPOSED		
20	MDR	AFRICAN DEVELOPMENT BANK	17,987	2,150,601
		CUMULATIVE TOTAL		2,150,601

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 AGENCY FOR INTERNATIONAL DEVELOPMENT  
 FY 1982 BUDGET REQUEST  
 PROPOSED PROGRAM RANKING  
 (\$000)

RANK	DECISION PACKAGE	MINIMUM	PROGRAM INCREMENT	CUMULATIVE FUNDING
3	AID	IDCA/AID OPERATING EXPENSES	325,296	325,296
4	AID	AID REGIONAL PROGRAMS	884,928	1,210,224
6	AID	AID/DSB POPULATION PROGRAMS	132,400	1,342,624
18	AID	IDCA/AID OPERATING EXPENSES	5,104	1,347,728
19	AID	AID CENTRAL PROGRAMS	174,930	1,522,658
23	AID	AID DISASTER ASSISTANCE	27,000	1,549,658
27	AID	AID AMERICAN SCHS AND HOSPITALS ABROAD	7,500	1,557,158
28	AID	AID SCIENCE ADVISOR	10,000	1,567,158
29	AID	AID HOUSING INVESTMENT GUARANTY PROGRAM	( 165,000)	1,567,158
CUMULATIVE TOTAL				1,567,158
DECISION PACKAGE CURRENT				
32	AID	AID COUNTRY PROGRAMS	83,489	1,650,647
36	AID	AID COUNTRY PROGRAMS	184,348	1,834,995
39	AID	AID PRIVATE AND VOLUNTARY COOPERATION	8,990	1,843,985
40	AID	AID OFFICE OF POPULATION	31,370	1,875,355
42	AID	AID CENTRAL PROGRAMS	12,415	1,887,770
46	AID	AID WOMEN IN DEVELOPMENT	295	1,888,065
48	AID	AID CENTRAL PROGRAMS	3,500	1,891,565
54	AID	AID COUNTRY PROGRAMS	17,432	1,908,997
55	AID	AID CENTRAL PROGRAMS	2,360	1,911,357
56	AID	AID COUNTRY PROGRAMS	4,625	1,915,982
59	AID	AID HOUSING INVESTMENT GUARANTY PROGRAM	( 85,000)	1,915,982
60	AID	AID OFFICE OF POPULATION	5,762	1,921,744
CUMULATIVE TOTAL				1,921,744
DECISION PACKAGE PROPOSED				
66	AID	AID HOUSING INVESTMENT GUARANTY PROGRAM	( 50,000)	1,921,744
67	AID	AID CENTRAL PROGRAMS	2,240	1,923,984
68	AID	AID OFFICE OF POPULATION	27,218	1,951,202
71	AID	AID CENTRAL PROGRAMS	8,880	1,960,082
74	AID	AID COUNTRY PROGRAMS	102,756	2,062,838
76	AID	AID SCIENCE ADVISOR	2,000	2,064,838
77	AID	AID CENTRAL PROGRAMS	20,680	2,085,518
78	AID	AID COUNTRY PROGRAMS	29,892	2,115,410
79	AID	AID CENTRAL PROGRAMS	90	2,115,500
CUMULATIVE TOTAL				2,115,500

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 PL 480 FOOD AID  
 FY 1982 BUDGET REQUEST  
 PROPOSED PROGRAM RANKING  
 (\$000)

			PROGRAM INCREMENT	CUMULATIVE FUNDING
RANK DECISION PACKAGE MINIMUM				
2	PL 480	PL 480 TITLE II RESERVE	180,800	180,800
5	PL 480	PL 480 COUNTRY PROGRAMS	1,257,400	1,438,200
20	PL 480	PL 480 TITLE I RESERVE	86,800	1,525,000
21	PL 480	PL 480 TITLE II WORLD FOOD PROGRAM	83,300	1,608,300
CUMULATIVE TOTAL				1,608,300
DECISION PACKAGE CURRENT				
34	PL 480	PL 480 TITLE II COUNTRY PROGRAMS	33,100	1,641,400
41	PL 480	PL 480 TITLE II COUNTRY PROGRAMS	7,900	1,649,300
57	PL 480	PL 480 TITLE II WORLD FOOD PROGRAM	30,700	1,680,000
CUMULATIVE TOTAL				1,680,000
DECISION PACKAGE PROPOSED				
81	PL 480	PL 480 TITLE I COUNTRY PROGRAMS/RESERVE	120,000	1,800,000
CUMULATIVE TOTAL				1,800,000



INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
INTERNATIONAL ORGANIZATIONS & PROGRAMS  
FY 1982 BUDGET REQUEST  
PROPOSED PROGRAM RANKING  
(\$000)

RANK	DECISION PACKAGE	MINIMUM	PROGRAM INCREMENT	CUMULATIVE FUNDING
7	IO/P	UNDP	135,000	135,000
8	IO/P	UNICEF	40,000	175,000
9	IO/P	UN CAPITAL DEVELOPMENT FUND	2,000	177,000
22	IO/P	WORLD FOOD PROGRAM CASH PLEDGE	2,500	179,500
24	IO/P	INTERNATIONAL ATOMIC ENERGY AGENCY	13,500	193,000
25	IO/P	UN ENVIRONMENT PROGRAM	7,200	200,200
26	IO/P	UN SOUTH AFRICAN DEVELOPMENT PROGRAM	1,900	202,100
CUMULATIVE TOTAL .				202,100
DECISION PACKAGE CURRENT				
33	IO/P	ORGANIZATION OF AMERICAN STATES	16,500	218,600
45	IO/P	WORLD METEOROLOGICAL ORGANIZATION	2,300	220,900
47	IO/P	UN DECADE FOR WOMEN	1,000	221,900
49	IO/P	UNDP/UN SCIENCE AND TECHNOLOGY FUND	10,000	231,900
50	IO/P	CONVENTION-TRADE IN ENDANGERED SPECIES	150	232,050
51	IO/P	UNICEF	3,650	235,700
52	IO/P	UNDP	5,000	240,700
53	IO/P	FAO: TROPICAL FORESTRY	500	241,200
58	IO/P	INTERNATIONAL ATOMIC ENERGY AGENCY	2,000	243,200
CUMULATIVE TOTAL				243,200
DECISION PACKAGE PROPOSED				
64	IO/P	UN ENVIRONMENT PROGRAM	2,800	246,000
65	IO/P	UN JUNIOR PROFESSIONAL OFFICER PROGRAM	250	246,250
69	IO/P	UN PROGRAMS	1,300	247,550
72	IO/P	UNICEF	6,350	253,900
73	IO/P	UNDP	4,000	257,900
82	IO/P	UNDP	10,000	267,900
CUMULATIVE TOTAL				267,900

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 TRADE AND DEVELOPMENT PROGRAM  
 FY 1982 BUDGET REQUEST  
 PROPOSED PROGRAM RANKING  
 (\$000)

			PROGRAM INCREMENT	CUMULATIVE FUNDING
RANK DECISION PACKAGE MINIMUM				
16	TDP	TRADE AND DEVELOPMENT PROGRAM	4,501	4,501
		CUMULATIVE TOTAL		4,501
DECISION PACKAGE CURRENT				
35	TDP	TRADE AND DEVELOPMENT PROGRAMS	1,482	5,983
61	TDP	TRADE AND DEVELOPMENT PROGRAM	4,017	10,000
		CUMULATIVE TOTAL		10,000

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 ECONOMIC ASSISTANCE  
(\$000)

	DA	ESF <sup>1/</sup>	PL 480	TOTAL	HO
BUREAU FOR AFRICA					
AFRICA REGIONAL	80,244	---	---	80,244	---
BENIN (DAHOMEY)	---	---	1,500	1,500	---
BOTSWANA	---	---	---	---	---
BURUNDI	6,117	---	3,500	9,617	---
CAMEROON	20,000	---	1,300	21,300	---
CAPE VERDE	3,500	---	3,400	6,900	---
CENTRAL & WEST AFRICA REGIONAL	36,800	---	---	36,800	---
CENTRAL AFRICAN REPUBLIC	2,000	---	---	2,000	---
CHAD	---	---	1,400	1,400	---
CONGO, REP. OF	2,000	---	---	2,000	---
DJIBOUTI, DEMOCRATIC REPUBLIC OF	---	2,000	2,800	4,800	---
ETHIOPIA	---	---	3,700	3,700	---
GAMBIA, THE	6,500	---	1,400	7,900	---
GHANA	9,000	---	22,100	31,100	---
GUINEA	2,530	---	8,000	10,530	---
GUINEA-BISSAU	2,375	---	---	2,375	---
IVORY COAST	---	---	---	---	10,000
KENYA	34,500	10,000	19,600	64,100	15,000
LESOTHO	12,155	---	6,600	18,755	---
LIBERIA	8,000	10,000	5,000	23,000	---
MADAGASCAR	---	---	3,800	3,800	---
MALAWI	8,300	---	10,600	18,900	---
MALI	14,950	---	---	14,950	---
MAURITANIA	10,000	---	8,000	18,000	---
MAURITIUS	---	2,000	---	2,000	---
MOZAMBIQUE	---	---	15,000	15,000	---
NIGER	15,200	---	---	15,200	---
NIGERIA	---	---	---	---	25,000
REGIONAL U.S. AID/AFRICA	20,000	---	---	20,000	---
RWANDA	8,672	---	4,100	12,772	---
SENEGAL	18,000	---	22,400	40,400	---
SEYCHELLES	---	2,000	500	2,500	---
SIERRA LEONE	2,345	---	2,700	5,045	---
SOMALIA	18,000	20,000	16,300	54,300	---
SOUTHERN AFRICA REGION-OSARAC	---	80,000	---	80,000	---
SUDAN	27,000	50,000	40,000	117,000	10,000
SWAZILAND	8,200	---	---	8,200	---
TANZANIA	24,225	---	12,000	36,225	---
TOGO	3,100	---	3,700	6,800	---
UGANDA	15,000	---	7,000	22,000	---
UPPER VOLTA	24,450	---	9,500	33,950	---
ZAIRE	10,000	---	10,000	20,000	---
ZAMBIA	---	---	---	---	---
ZIMBABWE	---	40,000	---	40,000	25,000
BUREAU TOTAL	453,163	216,000	245,900	915,063	85,000

<sup>1/</sup> Tentative State Department Request

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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 ECONOMIC ASSISTANCE  
(\$000)

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BUREAU FOR ASIA

	DA	ESF <sup>1/</sup>	PL 480	TOTAL	HG
ASIA REGIONAL	19,622	---	---	19,622	---
BANGLADESH	110,000	---	153,000	263,000	---
BURMA	7,500	---	---	7,500	---
INDIA	170,000	---	160,600	330,600	25,000
INDONESIA	75,000	---	8,500	83,500	---
NEPAL	20,000	---	---	20,000	---
PAKISTAN	---	100,000	50,000	150,000	---
PHILIPPINES	40,000	50,000	35,900	125,900	---
SOUTH PACIFIC REGIONAL	6,000	---	---	6,000	---
SRI LANKA	56,000	---	30,300	86,300	10,000
THAILAND	40,000	10,000	---	50,000	20,000
 BUREAU TOTAL	 544,122	 160,000	 438,300	 1,142,422	 55,000

1/ Tentative State Department Request

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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 ECONOMIC ASSISTANCE  
(\$000)

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	DA	ESF <sup>1/</sup>	PL 480	TOTAL	HQ
BUREAU FOR LATIN AMERICA AND CARIBBEAN					
BOLIVIA	4,243	---	28,300	32,543	---
CHILE	---	---	6,600	6,600	---
COSTA RICA	7,000	---	---	7,000	10,000
DOMINICAN REPUBLIC	23,000	---	19,700	42,700	---
ECUADOR	11,950	---	2,100	14,050	25,000
EL SALVADOR	35,000	40,000	8,000	83,000	---
GUATEMALA	5,000	---	8,500	13,500	---
GUYANA	4,965	---	2,700	7,665	---
HAITI	12,000	---	21,000	33,000	---
HONDURAS	30,000	---	8,300	38,300	10,000
JAMAICA	9,290	---	10,000	19,290	10,000
LATIN AMERICA REGIONAL	16,237	---	---	16,237	---
NICARAGUA	34,735	25,000	---	59,735	---
OTHER WEST INDIES-EASTERN CARIBBEAN REG.	34,945	20,000	---	54,945	---
PANAMA	6,250	---	2,600	8,850	---
PERU	32,000	---	47,300	79,300	25,000
REG OFFICE CEN AMER & PANAMA-ROCAP	4,300	---	---	4,300	20,000
 BUREAU TOTAL	 270,915	 85,000	 165,100	 521,015	 100,000

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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 ECONOMIC ASSISTANCE  
(\$000)

## BUREAU FOR NEAR EAST

	DA	ESF <sup>1/</sup>	PL 480	TOTAL	HG
EGYPT	---	750,000	239,900	989,900	---
GAZA	---	10,000	4,200	14,200	---
ISRAEL	---	785,000	---	785,000	---
JORDAN	---	50,000	600	50,600	---
LEBANON	---	7,000	---	7,000	---
MOROCCO	12,270	---	12,300	24,570	25,000
N.E. REGIONAL-(DA)	4,900	---	---	4,900	---
N.E. REGIONAL-(SSA)	---	6,000	---	6,000	---
OMAN	---	15,000	---	15,000	---
PORTUGAL	---	20,000	---	20,000	---
SPAIN	---	7,000	---	7,000	---
SYRIA	---	100,000	---	100,000	---
TUNISIA	---	10,000	20,100	30,100	25,000
TURKEY	---	250,000	---	250,000	---
YEMEN ARAB REPUBLIC	22,100	---	---	22,100	---
 BUREAU TOTAL	 39,270	 2,010,000	 277,100	 2,326,370	 50,000

1/ Tentative State Department Request

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INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
FY 1982 BUDGET REQUEST  
AID COUNTRY PROGRAM LEVELS  
(\$000)

	MINIMUM	INCREMENT	CURRENT	INCREMENT	PROPOSED
BUREAU FOR AFRICA					
AFRICA REGIONAL	58230	15180	73410	6834	80244
BURUNDI	3500	---	3500	2617	6117
CAMEROON	15000	5000	20000	---	20000
CAPE VERDE	2841	459	3300	200	3500
CENTRAL & WEST AFRICA REGIONAL	20050	10950	31000	5800	36800
CENTRAL AFRICAN REPUBLIC	---	---	---	2000	2000
CONGO, REP. OF	---	2000	2000	---	2000
GAMBIA, THE	5000	1500	6500	---	6500
GHANA	6600	---	6600	2400	9000
GUINEA	2250	280	2530	---	2530
GUINEA-BISSAU	2375	---	2375	---	2375
KENYA	19500	10500	30000	4500	34500
LESOTHO	11190	710	11900	255	12155
LIBERIA	5425	2575	8000	---	8000
MALAWI	6040	700	6740	1560	8300
MALI	13980	970	14950	---	14950
MAURITANIA	6700	2800	9500	500	10000
NIGER	9944	5256	15200	---	15200
REGIONAL U.S. AID/AFRICA	15000	5000	20000	---	20000
RWANDA	6742	1930	8672	---	8672
SENEGAL	11840	5160	17000	1000	18000
SIERRA LEONE	---	2345	2345	---	2345
SOMALIA	11000	7000	18000	---	18000
SUDAN	24000	3000	27000	---	27000
SWAZILAND	6050	2150	8200	---	8200
TANZANIA	18140	6085	24225	---	24225
TOGO	2600	---	2600	500	3100
UGANDA	5000	5000	10000	5000	15000
UPPER VOLTA	8557	15893	24450	---	24450
ZAIRE	7600	400	8000	2000	10000
	305154	112843	417997	35166	453163

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 FY 1962 BUDGET REQUEST  
 AID COUNTRY PROGRAM LEVELS  
 (\$000)

	MINIMUM	INCREMENT	CURRENT	INCREMENT	PROPOSED
BUREAU FOR ASIA					
ASIA REGIONAL	13005	6167	19172	450	19622
BANGLADESH	66080	17750	84430	25570	110000
BURMA	5000	---	5000	2500	7500
INDIA	90800	59200	150000	20000	170000
INDONESIA	50000	---	50000	25000	75000
NEPAL	13400	2500	15900	4100	20000
PHILIPPINES	33785	3174	36959	3041	40000
SOUTH PACIFIC REGIONAL	3450	1550	5000	1000	6000
SRI LANKA	38500	17500	56000	---	56000
THAILAND	22200	17800	40000	---	40000
	336820	125641	462461	81661	544122



INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 FY 1982 BUDGET REQUEST  
 AID COUNTRY PROGRAM LEVELS  
 (\$000)

	MINIMUM	INCREMENT	CURRENT	INCREMENT	PROPOSED
BUREAU FOR LATIN AMERICA AND CARIBBEAN					
BOLIVIA	3828	---	3828	415	4243
COSTA RICA	2700	4300	7000	---	7000
DOMINICAN REPUBLIC	17325	5675	23000	---	23000
EQUADOR	10650	1000	11650	300	11950
EL SALVADOR	33000	2000	35000	---	35000
GUATEMALA	5000	---	5000	---	5000
GUYANA	4065	900	4965	---	4965
HAITI	10000	2000	12000	---	12000
HONDURAS	22289	7711	30000	---	30000
JAMAICA	9290	---	9290	---	9290
LATIN AMERICA REGIONAL	13769	2468	16237	---	16237
NICARAGUA	19875	14860	34735	---	34735
OTHER WEST INDIES-EASTERN CARIBBEAN REG.	34405	---	34405	540	34945
PANAMA	2250	4000	6250	---	6250
PERU	19205	5795	25000	7000	32000
REG OFFICE CEN AMER & PANAMA-ROCAP	4300	---	4300	---	4300
	211951	50709	262660	8255	270915

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 FY 1982 BUDGET REQUEST  
 AID COUNTRY PROGRAM LEVELS  
 (\$000)

	MINIMUM	INCREMENT	CURRENT	INCREMENT	PROPOSED
BUREAU FOR NEAR EAST					
MOROCCO	10200	---	10200	2070	12270
N.E. REGIONAL-(DA)	4900	---	4900	---	4900
YEMEN ARAB REPUBLIC	15903	701	16604	5496	22100
	31003	701	31704	7566	39270

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
 FY 1982 BUDGET SUBMISSION  
 P.L. 480 TITLE I ALLOCATIONS  
 (In Million Dollars)

<u>COUNTRY</u>	<u>MINIMUM</u>	<u>CURRENT</u>	<u>PROPOSED</u>
Bangladesh	127.0	127.0	127.0
Bolivia	17.2	17.2	17.2
Egypt	225.0	225.0	250.0
El Salvador	5.0	5.0	5.0
Ghana	14.0	14.0	14.0
Guinea	8.0	8.0	8.0
Guyana	2.4	2.4	2.4
Haiti	9.0	9.0	9.0
Honduras	4.0	4.0	4.0
Indonesia	-	-	25.0
Kenya	15.0	15.0	15.0
Liberia	5.0	5.0	5.0
Malawi	10.6	10.6	10.6
Mozambique	15.0	15.0	15.0
Pakistan	50.0	50.0	50.0
Philippines	17.8	17.8	17.8
Senegal	13.4	13.4	13.4
Somalia	16.3	16.3	16.3
Sri Lanka	19.3	19.3	19.3
Sudan	37.6	37.6	37.6
Tanzania	10.0	10.0	10.0
Uganda	7.0	7.0	7.0
Zaire	10.0	10.0	10.0
Zambia	15.0	15.0	15.0
Subtotal	653.6	653.6	703.6
Dominican Republic	15.0	15.0	15.0
Jamaica	10.0	10.0	10.0
Peru	20.0	20.0	20.0
Tunisia	17.0	17.0	17.0
Subtotal	62.0	62.0	62.0
Reserve	82.4	82.4	149.4
Total Commodity Costs	798.0	798.0	915.0
- Initial Payment	-28.0	-28.0	-30.0
Ocean Transportation Costs	70.0	70.0	75.0
TOTAL PROGRAM LEVEL	840.0	840.0	960.0

INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
HOUSING INVESTMENT GUARANTY PROGRAM  
ZBB RANKING  
(\$000)

<u>RANK</u>	<u>DECISION PACKAGE:</u> MINIMUM	<u>INCREMENT</u>	<u>CUMULATIVE</u>
1	Tunisia	25,000	25,000
2	Peru	25,000	25,000
3	Honduras	10,000	60,000
4	Zimbabwe	25,000	85,000
5	Ecuador	25,000	110,000
6	Thailand	20,000	130,000
7	Morocco	25,000	155,000
8	Costa Rica	10,000	165,000
	CUMULATIVE TOTAL - MINIMUM		165,000
	<u>DECISION PACKAGE:</u> CURRENT		
9	Jamaica	10,000	175,000
10	Botswana	10,000	185,000
11	CABEI	20,000	205,000
12	Sri Lanka	10,000	215,000
13	Ivory Coast	10,000	225,000
14	India	25,000	250,000
	CUMULATIVE TOTAL - CURRENT		250,000
	<u>DECISION PACKAGE:</u> PROPOSED		
15	Nigeria	25,000	275,000
16	Kenya	15,000	290,000
17	Sudan	10,000	300,000
	CUMULATIVE TOTAL - PROPOSED		300,000

## ANNEX A: ALLEVIATING HUNGER

Eight hundred million hungry and malnourished people live in the world in 1980. Without additional investments above current base levels, this number will not shrink -- and could swell to 1.2 billion by the year 2000. With additional investment, the latter number can be halved by the end of the century.

The agricultural activities in the leadership and the base programs are linked in their focus on the small farm unit. Because many poor families in developing countries already own or work on small farms, the need for increased food production and increased income to allow increased consumption can be addressed -- although not solved -- simultaneously.

We propose that in FY 1982 the United States provide \$530 million in Development Assistance, Economic Support Funds, and PL 480 -- in addition to the base assistance program of \$1,530 million in DA and ESF -- and devote the additional funding toward expanded investments in food production and food security.

Every dollar of additional U.S. investment can reasonably be expected to be matched by \$3 of additional investment from other donors. Each dollar of donor resources should furthermore be complemented by an additional dollar from other sources such as foreign private investment and the developing countries themselves. As a result, an additional \$4.2 billion should be invested in agriculture each year. Using reasonable, if tentative, assumptions regarding reinvestment and returns, we estimate that these agricultural investments will generate net income increases on the order of \$1 billion each year. These results will enable 25 to 30 million additional people each year to meet their current food deficits at minimal levels, or 200 million by the year 1990. This level of additional annual investment in agriculture will, by 1990, result in the production of about 80 million tons of additional foodgrains each year.

Both the base and leadership assistance programs in food and agriculture build on U.S. strengths and unique expertise in designated areas. The amounts included at the OMB's mark and the \$530 million (including Development Assistance, PL 480 and the Economic Support Fund) requested for leadership in agriculture will be used for several purposes.

- To expand the supplies and utilization of seeds, fertilizer, and credit for small farmers and to promote the role of rural industry in supplying these inputs and processing marketable surpluses (\$526 million in base; \$61 million in leadership);
- To strengthen efforts in research, extension, and training, particularly developing and diffusing new agricultural technologies that are critical to small farm productivity and the overall expansion of food supplies (\$296 million in base; \$100 million in leadership);

- To develop additional land and water resources, ensuring the access of smallholders and the utilization of appropriate technology (\$265 million in base; \$133 million in leadership);
- To extend the road and transportation infrastructure as well as rural energy sources and delivery systems (\$123 million in base; \$58 million in leadership);
- To support developing country efforts to address the issues of asset distribution (particularly land) and poor rural producers' access to resources through support for cooperatives and other local participation institutions (\$97 million in the base package; \$64 million in the leadership package);
- To focus on food security issues, primarily marketing, distribution, and storage policies and practices at the farm and regional levels, but also including attention to the design and use of early warning weather systems and international trade prospects (\$47 million in base; \$110 million in leadership, including PL 480);
- To improve planning and policy and analysis capacity through institutional support (\$67 million in base; \$5 million in leadership).

The means by which proposed investments can be most effectively directed to food and income needs varies from region to region (Table 1). In Asia, for example, the emphasis in 1982 will be on programs designed to develop land and water resources; in Africa, by contrast, priority will be given to research, extension, and training; and in Latin America, the emphasis will be on land distribution and revitalization of the role of the private sector. An additional \$75 million in PL 480 has also been programmed to help establish national food security systems in Asia and Africa as an important component of the leadership package as a whole.

## REGIONAL ALLOCATIONS

### (a) AFRICA (\$426 million in base; \$215 million in leadership)

Goal: By 1990 to reverse the current trends so that food production increases faster than population growth.

Base funding in Africa provides support in all functional areas, with special attention directed toward increasing the research, extension, and farmer training capacities of African institutions. Substantial amounts of participant training also support national institutional development.

## LEADERSHIP PACKAGE

Unless current African food production systems are improved, there will be growing food crises, continued desertification and environmental damage, and new waves of African refugees. A production shortfall of between 17 and 64 million tons of foodgrain has been predicted for Africa unless additional

ALLEVIATING HUNGER  
Table 1\*  
(in millions of dollars)

REGION	Access to Assets	Planning & Policy Analysis	Research, Extension, Training	Land and Water Develop- ment	Rural Infra- structure	Marketing Storage & Food Security	Agr. In- puts, Credit, Industry	OTHER	TOTAL
<u>Base Package</u>									
Africa	20.9	20.9 (2.2)	116.0 (4.4)	48.1	39.3 (39.0)	12.5 (25.0)	8.0 (71.3)	17.2 (1.5)	282.9 (143.4)
Asia	50.0	17.3	45.4	96.8	10.8	4.5	132.1 (100.0)	5.6	362.5 (100.0)
Latin America	8.9 (15.5)	6.4	19.0	11.5	15.1	5.0	36.9 ( 9.5)	12.8 (25.0)	115.6 ( 50.0)
Near East	2.1	.3	10.8	1.2 (105.0)	1.2 (15.0)	--	-- (166.5)	- (40.0)	15.6 (326.5)
Central	-	19.4	100.6	2.3	2.3	.2	1.4	7.7	133.9
Subtotal	81.9 (15.5)	64.3 ( 2.2)	291.8 ( 4.4)	159.9 (105.0)	68.7 (54.0)	22.2 (25.0)	178.4 (347.3)	43.3 (66.5)	910.5 (619.9)
TOTAL	<u>97.4</u>	<u>66.5</u>	<u>296.2</u>	<u>264.9</u>	<u>122.7</u>	<u>47.2</u>	<u>525.7</u>	<u>109.8</u>	<u>1,530.4</u>
<u>LEADERSHIP PACKAGE</u>									
Africa	20.0 (20.0)	5.0	35.0 (20.0)	25.0 ( 5.0)	30.0 (15.0)	20.0 (15.0)	5.0	--	140.0 ( 75.0)
Asia	--	--	20.0	102.5	12.5	--	40.0	--	175.0
Latin America	24.0	--	25.0	--	--	--	16.0	--	65.0
Subtotal	44.0 (20.0)	5.0	80.0 (20.0)	127.5 ( 5.0)	42.5 (15.0)	20.0 (15.0)	61.0	--	380.0 ( 75.0)
TOTAL	<u>64.0</u>	<u>5.0</u>	<u>100.0</u>	<u>132.5</u>	<u>57.5</u>	<u>35.0</u>	<u>61.0</u>		<u>455.0</u>
* ESF shown in parenthesis; PL 480 not disaggregated by sub-sector in the base.						PL 480 <u>75.0</u>		PL 480 <u>75.0</u>	<u>75.0</u>
						110.0			530.0

investments in expanding agricultural output are made. An accelerated program would drastically reduce the gap between domestic foodgrain production and demand by generating output increases between 11 and 52 million tons of foodgrain. Since total agricultural production in Africa also includes substantial output of non-grain staples, the remaining gap could be filled by expanded root, tuber, and plantain production. Investments in research, infrastructure and the development of new processing technologies for these more perishable crops will facilitate the increased role for non-grain staples. This will permit total food production growth rates to match or even exceed projected population increases.

A partnership approach is needed to bring collaborative application of African and other western and OPEC donor resources to the problem. The United States, by virtue of its comparative advantage in agricultural technology and research capability, can lead this effort.

1. Training and Institutional Reinforcement (\$20 million in Development Assistance)

Greater support for agricultural training, including more concentrated training for farmers to improve cultivation practices and make profitable use of productive inputs will be offered. Training in extension, agronomy, agricultural engineering, credit and finance, and marketing will be emphasized. Title XII universities, in close alliance with universities and institutes in Africa, are expected to serve as prime development instruments. A new Agricultural and Engineering University in Southern Africa under African leadership but fully supported by the United States will be considered.

2. Agricultural Research and Technology Development (\$20 million in Development Assistance; \$20 million in ESF)

Adaptive and applied research in all phases of agriculture will be expanded, with emphasis on developing and testing new and improved seeds, fertilizers, irrigation systems, and pesticides. Fabrication and manufacture of equipment for village, farm, and household by domestic industries is an important complement to this research effort. To encourage the development and application of small farm technologies and to facilitate the exchange of technical information among the southern African states and the world information networks, a special effort in the nine majority-ruled countries of southern Africa will be supported with ESF funds.

3. Infrastructure and Transportation (\$30 million in Development Assistance; \$15 million in ESF)

Rural transportation systems and small ports to facilitate distribution of agricultural goods will be undertaken in East Africa, Southern Sudan, Mali, Upper Volta, Cameroon, Liberia. Rehabilitation and improvement of war-damaged, deteriorating regional transport networks to facilitate food imports to the land-locked countries in Southern Africa will be initiated with ESF funds.

4. Food Security Systems (\$20 million in Development Assistance; \$15 million in ESF; additional PL 480 as needed)

This support will promote food trade between African countries, increase local and terminal storage facilities, develop early earning systems



for drought, and improve processing to prolong shelf life and preserve perishables. The Sahel and East Africa will be special areas of focus. Improvement of food storage and handling along major transportation lines, improved access to productive lands, and promotion of intra-regional trade in food commodities will be part of a similar effort in Southern Africa.

5. River Basin Development and Land/Water Use Planning (\$25 million in Development Assistance; \$5 million in ESF)

Determining land use capability, installation of irrigation facilities and training in their use, drainage, farm layouts, cropping and farmstead plans, and general land clearing in the Kagera, Niger, Zambezi, and Okavango river valleys will be undertaken. U.S. assistance in the Zambezi and Okavango River Basins will be part of a comprehensive, multidonor planning effort in the initial years.

6. Policy Reform (\$5 million in Development Assistance)

Analysis and change on a wide range of inter-linked policies -- personnel, import, pricing, marketing, transport, investment, and monetary -- will be integrated into national food strategies and programs.

7. Opening New Lands, Agrarian Resettlement, and Land Reform (\$20 million in Development Assistance; \$20 million in ESF)

Integrated rural development, including irrigation and rural road construction, and rural services and training systems development, will be part of the southern Africa program, with special focus on Zimbabwe. Through land clearing and programs for tsetse and onchocerciasis eradication, more food could be produced in West and Central Africa.

(b) ASIA (\$463 million in Base; \$175 million in Leadership)

Goal: To increase grain production by 20 million tons annually by 1990.

In Asia, irrigation, agricultural research, area development, fertilizer, agricultural credit and off-farm employment are the major areas of focus. In addition, the FY 1982 basic budget requests funds for significant initiatives in natural resource development -- in India, Nepal, Philippines, Sri Lanka, and Thailand.

LEADERSHIP PACKAGE

The \$175 million leadership component will focus on expanding irrigation facilities, as well as on the development of labor-intensive agriculture and crop diversification. Energy and water requirements for expanded use of high-yielding varieties, as well as other uses, will be addressed by the construction of hydro-power facilities on the Karnali River.

1. India/Nepal: Irrigation and Hydro-Power Development; Karnali River (\$25 million in Development Assistance)

Twenty-five million dollars would begin joint Indian/Nepalese feasibility assessment and, ultimately, large scale integrated development of

the Karnali River's resources. Projected to be a fifteen-year multi-purpose project, it will extend irrigation works on over 200,000 hectares; construct a major diversion channel; and establish linked power grids between India and Nepal. Rough estimates based on current production technologies indicate employment for a quarter of a million additional agricultural workers and production increases of 400,000 metric tons of foodgrain per year.

2. India/Bangladesh: Accelerated Food Production (\$130 million in Development Assistance)

A prototype program for accelerating food production efforts to reduce the food gap in low income countries would be undertaken in India and Bangladesh. The program would include capital investments for new and improved irrigation, expansion of certified seed production, and pesticides. AID and other donors are already supporting complementary components of the program, particularly land settlement and road improvements. The \$90 million additional funding in India is projected to lead to additional foodgrain production India of eight million tons by 1990; in Bangladesh, \$40 million in additional funding is projected to result in an additional nine million tons.

3. Thailand: Diversification of Rainfed Production (\$20 million in Development Assistance)

Thailand's Northeast, despite evidence of improvement in incomes, still contains 55% of the country's low income population. This poverty could be alleviated by the expansion of secondary crop production. The \$20 million program will provide for soil and water development and field testing of higher yielding seed varieties as well as and agricultural research activities specifically directed towards agricultural diversification of rainfed agriculture in the Northeast.

(c) LATIN AMERICA AND THE CARIBBEAN (\$166 million in base; \$65 million in Leadership)

Goal: To allow Honduras, Nicaragua, El Salvador, and Peru to become self-sufficient in several basic food crops by 1990.

The base request stresses a strategy that fosters small farm, labor-intensive commercial agriculture including, where appropriate, increased production of export crops.

LEADERSHIP PACKAGE

The leadership package concentrates resources primarily in the Caribbean Basin area, focusing on development constraints in each country. The leadership package would increase efforts to address the sources of inequities -- particularly in the distribution of land -- that have created the conditions for revolution. It would also support programs to conserve natural resources and the environment.

1. Nicaragua: Recapitalization of Small Farm Agriculture (\$16 million in Development Assistance)

The principal constraint to agriculture is the loss of capital stocks in the agricultural sector. The needs are: (1) to recapitalize agriculture (including machinery and equipment, credit funds, and market facilities); and (2) to replace lost farm and public sector management skills. With adequate policies, Nicaragua should be self-sufficient in rice, corn, and beans by 1985.

2. Honduras: New Lands Expansion (\$8 million in Development Assistance)

The \$8 million program to expand agricultural production on new lands (300,000 hectares) is key to Honduran self-sufficiency in food.

3. El Salvador: Agrarian Reform (\$16 million in Development Assistance)

Successful implementation of El Salvador's agrarian reform program is essential to alleviate the inequities that have resulted in revolutionary violence and that must be resolved if that country is to be brought on the road to a stable, democratic form of government. An additional \$16.0 million would support implementation of the land reform program; provide complementary credit for on-farm infrastructure and modern production needs that will permit a switch to higher-value, more labor intensive crops; and provide managerial training. With adequate funds and policies, El Salvador could be self-sufficient in its basic food commodities -- corn, rice, and beans -- by 1985.

4. The Caribbean: Private Sector Agricultural Development (\$5 million in Development Assistance)

Substantial donor investments in the agricultural sector, stimulated by the Caribbean Group for Economic Cooperation and Development, and channeled through the Caribbean Development Bank, have concentrated on building and restoring the public sector infrastructure needed to support productive investments. The Caribbean Group is now calling for increased emphasis on private sector development, a strategy also recommended by the York Commission. An additional \$5 million would support expansion of agri-business and associated labor-intensive enterprise development, providing more productive employment opportunities and reducing dependence on food imports.

5. Peru: New Lands Development and Sierra Irrigation (\$20 million in Development Assistance)

Peru's new democratic government is expected to shift public sector investment priorities substantially toward expansion of agricultural lands along the Eastern slopes of the Andes -- a region of great potential -- and to move toward more realistic agricultural prices. These changes will add a growth dynamic to the rural sector, whose equity dimension was addressed through a major land reform carried out by the previous government. Peruvian agriculture could achieve growth rates of 2.5% or more overall with self-sufficiency in corn by 1985 and rice by 1990 (requiring increases of 125,000 and 360,000 tons respectively).

## ANNEX B: POPULATION/HEALTH

Slowing population growth requires:

- (a) extending safe, effective, and affordable family planning services and the information to encourage effective use of those services;
- (b) supporting development that builds demand for smaller families by broadening women's educational and employment opportunities and by improving maternal and child health so parents expect children to survive; and
- (c) strengthening governments' understanding of and commitment to slowing population growth.

We propose an international initiative aimed at doubling contraceptive use by 1990. This can significantly affect population growth, as Table 1 suggests. The Global 2000 report projects that the population of the developing nations will most likely reach 5.1 billion by 2020; if our initiative succeeds, this population will be about one billion lower.

Doubling contraceptive use by 1990 will require at least doubling total resources devoted to population by 1985 and sustaining this investment annually thereafter. This initiative will focus on extending family planning and certain related health services as a first step toward primary health care. We estimate that one-third of the people in developing nations (outside China) now have access to such services, with one-quarter using them; we therefore aim for two-thirds coverage and one-half use ratios by 1990. This should reduce birth rates from about 35 per thousand to 28 per thousand.

Developing countries now devote about \$550 million of their own resources annually to population, including roughly \$100 million in private funds. Donors now provide about \$450 million annually in assistance, including about \$350 million in DAC assistance (which, apart from U.S. bilateral activities, is channeled largely through UNFPA) and \$100 million from the World Bank.

As a practical matter, the United States will continue to lead the way in population assistance. We now provide about half the donor resources. In aiming for a doubling of resources, we assumed the maximum possible increase in other donors' population assistance. The U.S. share will continue to be about half -- and we will use our contribution to persuade others to do their part. (See Table 2.)

### Population

AID's FY 1982 request for population is the critical first step in our effort to generate a doubling of population resources by 1985. The request focuses on our key strengths: innovation, private-sector support, and the capacity to provide services to people who need them, particularly in rural areas. These strengths derive from our unusual ability -- compared to other

Table 1  
Alternative Population Projections  
(in millions of people)

1. Assuming Global 2000's "most likely" or "medium" projections (slightly updated) which imply some decline in fertility.

	<u>1979</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2050</u>
WORLD	4,374	6,158	6,945	7,664	9,024
DEVELOPING	2,272	3,762	4,446	5,087	6,351
DEVELOPED	1,123	1,272	1,327	1,378	1,481
CHINA	979	1,124	1,172	1,199	1,192

2. Assuming contraceptive use in developing countries rises from about 25% in 1980 to about 50% in 1990, causing fertility to drop faster.

WORLD	4,374	5,687	6,223	6,691	7,520
DEVELOPING	2,272	3,291	3,724	4,114	4,847
DEVELOPED	1,123	1,272	1,327	1,378	1,481
CHINA	979	1,124	1,172	1,199	1,192

Source: U.S. Bureau of the Census, projections for Global 2000 and for IDCA.

Table 2  
POPULATION FUNDING  
(\$ millions)

<u>Sources:</u>	<u>Est.</u> <u>1980</u>	<u>Est.</u> <u>1985</u>
Developing Countries:		
Governmental	450	650
Private	100	250
Donors:		
OECD/DAC nations , (U.S. share)	350 <sup>1/</sup> (200)	850 <sup>1/</sup> (500)
World Bank	100	250
	<u>1,000</u>	<u>2,000</u>
<u>Channels of Donor Aid:</u>		
UNFPA	140	300
U.S. Bilateral Program	115 <sup>2/</sup>	320 <sup>3/</sup>
Intermediaries	80	200
World Bank	100	250
Other Institutions	15	30
	<u>450</u>	<u>1,100</u>

1/ Exclusive of subscriptions to the World Bank.

2/ Excluding contributions of \$35 million to UNFPA and \$50 million to intermediaries.

3/ Excluding contributions of \$80 million to UNFPA and \$100 million to intermediaries.

donors -- to supply grant funds, maintain country missions, support private enterprise, and draw on American scientific knowledge.

The OMB mark request of \$289 million (Table 3) will be used primarily to support:

- promising family planning programs, particularly in Asia and parts of Latin America (about \$120 million). In these countries -- the most populous developing countries -- the United States typically joins forces with the World Bank, UNFPA, and other donors;
- a strong biomedical and operations research program that has already yielded cheaper, more efficient, and safer ways to provide family planning (\$23 million);
- private intermediaries, e.g., International Planned Parenthood Federation, that provide services throughout much of the Third World, particularly where family planning is still too sensitive for overt public-sector support (about \$70 million);
- research and experimentation to show how development programs, particularly those building opportunities for women, foster interest in family planning (\$6 million);
- efforts to foster greater understanding of population growth, thus encouraging constructive policies (\$14 million); and
- a contribution to the UNFPA (\$40 million). This program complements our bilateral efforts by working in countries where bilateral assistance is inappropriate and in some fields in which we do not concentrate.

In planning for this request, we have reviewed the prospects for family planning in developing countries by analyzing the strength of the government's commitment and the socio-economic context (Table 4). AID's FY 1982 request focuses on those AID-recipient countries that demonstrate relatively strong commitment.

By contrast, the \$133 million requested for population in the Leadership package will go largely to establish family planning services in less-committed countries in Africa and Latin America. These countries have demonstrated increased interest and represent the most promising new possibilities. The leadership request is venture capital -- riskier but essential to pave the way for the broader programs which will make the critical difference in these regions in the coming years. Most of the leadership package will go therefore to private intermediaries and UNFPA -- those that have the flexibility, acceptability, and capacity for quick-response that can produce success.

### Health

AID's health program is integrally-related to its population effort. Improved health enhances productivity and the quality of life. And, as

Table 3  
 FY 1982 POPULATION/HEALTH REQUEST\*  
 (\$ millions)

REGION	<u>MARK</u>		<u>LEADERSHIP</u>	
	<u>Population</u>	<u>Health</u> (including primary health care)	<u>Population</u>	<u>Health</u> (all primary health care)
Africa	5	73	10	20
Asia	73	44	10	15
Latin America & Caribbean	10	37	18	22
Near East	4	4	5	3
AID centrally-funded of which:	197	25	90	45
Intermediaries	(70)		(38)	
UNFPA	(40)		(17)	
TOTAL	<hr/> 289	<hr/> 183	<hr/> 133	<hr/> 105

\*Development Assistance only.



Table 4

## PROSPECTS FOR FAMILY PLANNING

## SOCIOECONOMIC SETTING

Annual Population Increase	More Favorable GOVERNMENT COMMITMENT		Less Favorable GOVERNMENT COMMITMENT	
	Stronger	Weaker	Stronger	Weaker
400,000 or more	Colombia Indonesia Korea Mexico Philippines Thailand	Brazil Burma Morocco Peru Turkey Venezuela	Bangladesh India	Algeria Egypt Ethiopia Iraq Kenya Nigeria Pakistan Sudan Tanzania Uganda Zaire
50,000 - 399,000	Benin Taiwan Dominican Republic El Salvador Malaysia Panama Portugal	Cameroon Chile Costa Rica Ecuador Ghana Guatemala Honduras Ivory Coast Jordan Lebanon Liberia Senegal Nicaragua Paraguay Zimbabwe	Haiti Mali Yemen D.R. Nepal Rwanda	Angola Bolivia Chad Guinea Laos Libya Madagascar Mozambique Malawi Niger Papua N.G. Saudi Arabia Somalia Syria Togo Upper Volta Yemen A.R. Sierra Leone Burundi Kuwait Zambia
20,000 - 49,999	Jamaica Lesotho			Bhutan Central Afr. Republic Congo Djibouti Mauritania Namibia Oman United Arab Emirates

children's survival prospects improve, parents tend to choose smaller families. Primary health care programs that include family planning, in conjunction with water and sanitation measures, provide the most effective health assistance in developing countries. At OMB's mark (see Table 3), AID requests \$183 million for health, which includes \$119 million for primary health care, \$20 million for water (plus substantially more in Economic Support Funds), \$28 million in disease control, and \$9 million in health planning. The remainder is about \$6 million for PVOs and \$1 million for Title XII. The core of our health effort is thus primary health care. In the leadership package, IDCA requests an additional \$105 million exclusively for primary health care. These funds, together with population funds, will extend primary health (including family planning) services in much of Africa, Latin America, and parts of Asia, where such a joint approach makes most sense.

## REGIONAL ALLOCATIONS

### ASIA

At the mark, AID requests \$73 million for population and \$44 million in health for Asia. This will help expand government health and family planning programs in many of the most densely populated countries of the Third World -- India, Bangladesh, Philippines, Indonesia, and Thailand. Each of these programs began with substantial help from AID; each is now ready to strengthen and grow. If as a result of these programs, birth rates continue to decline, world population will be substantially affected. Thus, in our Leadership package, we request an additional \$25 million (\$10 population, \$15 health), for the largest of these countries -- India. This will permit the extension of integrated maternal/child health and family planning services to several new states in that country, each the size of many developing nations. India has already begun establishing such primary care in some states; more are now ready.

### AFRICA

AID's FY 1982 mark request contains only \$5 million in population for Africa (partly reflecting the need to work through private organizations) and \$73 million in health. In the leadership package, we request an additional \$10 million in population and about \$20 million in health. Basically, the mark request permits initiating health and family planning services in those few countries where prospects for successful operations seem brightest -- e.g., Cameroon, Sudan, Ghana. With the additional funds, we could respond to new opportunities to extend primary health care programs, including family planning, in countries such as Liberia, Malawi, and Zimbabwe, and we could fund pilot efforts needed to break ground (particularly in family planning) elsewhere. Although we expect difficulties in initiating programs in Africa, the need is enormous. Nowhere are birth rates or maternal and infant mortality rates higher.

### LATIN AMERICA AND THE CARIBBEAN

In Latin America, many countries have a fairly substantial health infrastructure, particularly in urban areas. Family planning services are now being added and extended further into rural areas. At the mark, AID requests \$10 million in population (augmented by intermediary activity) and \$37 million in health, largely to extend primary health care (including family planning) programs into Central America and parts of the Caribbean.

At the leadership level, we can start to establish or extend activities in newly interested countries (Peru) or in rural and remote areas (parts of Nicaragua and the Caribbean). For these purposes, IDCA request \$18 million in population funds and about \$22 million for health services. Modest but innovative programs will be essential for successful larger efforts later.

### NEAR EAST

Many Middle Eastern countries receive Economic Support funds; AID provides Development Assistance in Morocco and Yemen where it works to expand both primary health care and family planning. We request \$4 million for population and \$4 million for health at the mark, plus \$5 million for population and \$3 million for health in the leadership package.

ANNEX C: ENERGY

Energy is one of the great challenges of development. For the most part, developing countries face the same sort of adjustment problems we do, but usually in much more severe form. Most Third World countries depend more heavily than does the United States on imported oil. Of the 92 oil-importing developing countries, more than two-thirds depend on imports for more than three-fourths of their commercial energy supply. The total cost is now running \$50 - \$60 billion annually, or about 20% of total export earnings. Higher energy prices have severely exacerbated the balance of payments problems in developing countries, while stimulating inflation and indirectly leading to an average reduction of more than 20% in economic growth in developing countries.

In energy matters, the degree of mutuality of interest between the United States and the oil-importing developing countries is unique and far-reaching. The advantages to the United States of accelerated energy development in the Third World is apparent: their energy development directly improves our energy security. A barrel of oil produced, replaced with more abundant sources or not used because of efficiency gains, gives the whole world a little longer to make its transition away from oil; speeds the transition itself; and by diversifying oil sources and increasing supply makes the oil trading system more reliable for all nations. Helping Third World nations stabilize the world's forests reduces the damage to the world's air, climate, water, soil, and vital ecosystems. And finally, helping them develop alternative energy sources is the most effective means at hand to reduce the incentives of other countries to rely prematurely on nuclear power. Indeed, the budget recommendations we make in the energy field could be justified solely in terms of their impact on U.S. energy security apart from developmental and foreign policy benefits. As shown in Table 1, an accelerated program to increase supply and improve efficiency in these countries could lead to 5.7 million barrels reduced demand for OPEC oil. This could mean several billion dollars annual reduction in our own oil import bill.

Economic growth in developing countries is much more closely tied to increased energy usage than it is in the United States or other industrialized economies. These economies are going through an energy-intensive growth phase similar to that experienced in the Western countries in the hundred years before World War II. The principal driving elements are increasing industrialization and urbanization. In addition, modern agriculture is heavily dependent on energy-intensive inputs such as fertilizer. At a minimum, energy demand will keep pace with overall economic growth. The principal challenges facing these countries are how to provide the required additional energy as economically as possible and how to minimize demand growth by increased efficiency.

While going through an energy transition similar to our own towards reduced oil dependency, the Third World also faces a second energy challenge with its own special transition problems because of its heavy dependence on fuelwood. Most of the energy used in rural areas is for the growing and cooking of food. Traditionally, wood has been the primary fuel, with crop or

ENERGY: TABLE 1  
OIL-IMPORTING DEVELOPING COUNTRIES  
1980 - 1990 COMMERCIAL ENERGY BALANCES  
(Millions of Barrels a Day Of Oil Equivalent)

	1980		1990			
	<u>Production</u>	<u>Consumption</u>	<u>Present Trends</u>		<u>Accelerated Program</u>	
			<u>Production</u>	<u>Consumption</u>	<u>Production</u>	<u>Consumption</u>
Oil	1.7	6.2	3.3	10.9	4.5	6.4
Gas	0.9	0.8	1.2	1.2	1.4	1.4
Coal	2.2	2.2	3.1	3.1	3.8	4.3
Hydro	1.8	1.8	3.5	3.5	3.9	3.9
Other	0.1	0.1	2.2	1.8	2.6	2.2
<b>TOTAL</b>	<b>6.7</b>	<b>11.1</b>	<b>13.3</b>	<b>20.5</b>	<b>16.2</b>	<b>18.2</b>
Net Daily Oil Imports	4.4		7.6		1.9	
Net Annual Oil Bill, Constant 1980 Prices	\$53 billion		\$ 92 billion		\$ 23 billion (Half the Gain from Increased Efficiency)	

animal wastes used where wood was naturally scarce. Because of growing populations and increasing prices of fuel such as kerosene, many areas of the Third World are experiencing deforestation, devegetation, declining water tables, soil erosion, silting, desertification, and flooding. There is no greater environmental problem for the earth and its people. As tropical forests are lost, additional carbon dioxide builds up in the atmosphere creating a greenhouse effect and threatening the world's climatological balance as well as a vast storehouse of genetic resources which may be irrevocably lost to future generations.

The dimensions of the problem are terrifying. The forests of the Third World are being consumed at the rate of 1-1.5%, or 25-38 million acres, annually. The equivalent of some 2 million tons of fertilizer in the form of agricultural wastes is now burned for cooking and heating. About 125 million acres (an area larger than California) must be planted by 2000 to satisfy projected fuelwood demand and to stabilize the tropical forest cover without severe long-run environmental damage.

The United States can play an effective leadership role in assisting the developing countries in their efforts to become more self-sufficient in energy. American technical expertise in energy is enormous. Relatively modest financial investments in those areas with considerable uncertainty about commercial returns (exploration, new technologies, reforestation) can have a catalytic impact leading to large-scale investments. These in turn could lead to increasing energy production of as much as 3 million barrels a day in oil equivalent by 1990.

In each of the six energy areas -- oil and gas exploration, coal usage, fuelwood and forestry, new renewable energy sources, hydropower, and energy efficiency -- development is constrained by lack of both technical and financial resources. The mix of needs differs widely among these six as does the degree of required experimentation and demonstration. In energy, as in other areas, we look to multilateral programs as well as the private sector to specialize in large capital projects and to the bilateral programs to specialize in research and technical assistance. Concessional bilateral capital financing is generally appropriate only where a large degree of experimentation, demonstration or institution-building is involved.

Although both capital and technical assistance are needed in each of the six areas, the mix differs as does the degree of experimentation or demonstration involved. To increase the rate of exploration for oil and gas, of coal conversion and usage, and of hydropower generation, large capital amounts are needed and the technologies are largely known. Assistance in these three areas, therefore, will be provided primarily by the multilateral development banks, with a supporting role for relatively modest technical assistance efforts. We envisage that the bilateral technical assistance required in these areas can and should be accommodated within already approved planning levels for 1982-85.

The role of technical assistance and experimentation is much greater in increasing fuelwood and forestry activities, in improving energy efficiency through better energy planning by the developing countries, and in developing

and applying appropriate new technologies for renewable energy. In each of these, the United States can play a leading role.

Our present and planned bilateral programs attempt to address the primary technical constraints in each of the major areas:

-- In oil/gas, the developing countries are not well equipped to participate actively in the search for or development of their resources. They lack trained and experienced manpower and adequate knowledge of their resource base. AID is providing greater relevant technical assistance. A new program will soon begin training developing country nationals in existing U.S. institutions. This budget provides \$3.5 million for about 200 students to be enrolled in technical fields relevant to fossil fuel development. The budget also provides \$5 million to expand AID's support for geological and geophysical studies in a few countries with a promising outlook. These new initiatives will be conducted in close collaboration with the World Bank.

-- Rapid development of coal usage is constrained in part by a lack of adequate technical expertise, planning capability, and detailed geologic data. During FY 1982, AID will conduct training under the previously mentioned program and will begin technical assistance in planning in several countries. In addition, TDP will increase its involvement in coal, promoting the export of U.S. equipment and technology.

-- AID is already committed to a major technical assistance program in fuelwood and reforestation. In the base, \$38 million is included for the testing and demonstration of new technologies, village and community woodlots, training, institution-building, experimentation with fast-growing species, and improved cookstoves. This should complement the proposed contribution to the FAO Tropical Forestry program.

-- Technical assistance in new renewable energy sources continues as a major part of AID's energy budget. For FY 1982, about \$43 million is included for the testing and demonstration of new technologies, training, institution-building, surveys, and planning. At the same time, IDCA has been working closely with DOE to see how an appropriate developing country dimension can be included in their broader energy R&D programs. DOE's proposals, together with those in this budget, make good energy sense and good development sense.

-- An important constraint to accelerated investment in hydropower is a lack of viable projects. Most basic hydrologic studies were made when oil prices were still low. To overcome this problem, AID can play an important role by conducting basic surveys and helping countries formulate comprehensive river basin development plans in order to generate additional projects for large-scale financing. In addition, AID is helping to promote small-scale hydropower which offers many economic advantages in specific regions. Outside of China, there is still very little experience with small systems and much experimentation remains necessary. During FY 1982, AID will spend about \$8 million for hydropower.

-- Regardless of their resource base, all countries must make greater efforts to use energy more efficiently and to integrate long-run energy issues

more completely into economy-wide planning. In this area, the United States can make a strong bilateral contribution through technical assistance. This budget includes about \$9 million for training, collaborative planning, direct technical advice and services. Both AID and DOE already have energy assessment and planning programs which are being planned together in order to avoid duplication of effort. AID is also expanding its technical assistance targeted directly at improved energy efficiency in industrial and transportation sectors and has budgeted \$500,000 in this area.

In two of these areas particularly -- afforestation and fossil fuel resource development -- the need for additional talents and resources beyond those that the private market will supply are enormous. Therefore, the leadership package in energy is limited to these two areas.

(a) Forestry and Fuelwood

In sharp contrast with the industrialized world, most developing countries remain heavily dependent on traditional energy sources such as fuelwood, charcoal, plant and animal wastes. In some of the poorest countries, over 90% of the energy comes from traditional fuels and more than 90% of the population depends on firewood or dung for cooking.

Population growth and increased prices for widely used substitutes such as kerosene have forced more people to rely on a diminishing resource base. Deforestation is the most important environmental problem facing many developing countries. The magnitude of the fuelwood problem is enormous. The World Bank, after a country-by-country review of some 70 countries, concluded that about 125 million acres -- or 6.25 million acres a year -- of fuelwood planting would be needed in the developing countries in order to satisfy the demand for cooking and heating in the year 2000. The present planting rates is 1.25 million acres a year, leaving a gap of 5 million acres a year. The cost of filling that gap would be \$1.5 to \$2.0 billion a year. Achieving this planting rate will require a worldwide increase in planting of trees of five to six times the present level, a sizeable but achievable target.

The World Bank is considering a lending program that would support planting trees on 2.5 million acres over 5 years in 49 countries. Modest as that objective is when compared with the need, it would still require a more than doubling of the lending now planned for such activities -- up from the \$425 million originally planned for FY 1981-85 to approximately \$1.1 billion.

In reaching the proposed lending level, the Bank was seriously limited by a number of country-specific, socio-economic constraints. Some governments are not committed to making the national effort essential to an adequate response. National programs in a number of countries have been poorly designed or implemented. In other countries, the governments have been unprepared to review the price and incentive structures that are critical elements of sustainable national programs. And national forestry services are frequently ill-equipped and ill-trained to undertake the required new tasks.

Thus, it is clear that the next several years will be a time for increasing the understanding of national governments about the ramifications of the fuelwood problem, much as we did on the population problem in the



1960s. It will also be a time for building up the technical skills and institutional infrastructure to support subsequent larger funding, principally by the multilateral development banks.

We, therefore, propose a set of AID programs that will complement the World Bank's programs and concentrate in areas where AID has experience and relevant expertise. These areas include expanded fuelwood plantations, experimental village or family woodlots, research and development on improved tree species (particularly fast-growing trees and those appropriate for arid and semi-arid lands), erosion control measures, improved analysis and survey techniques, and technical assistance in forestry and strengthening developing country institutions. A major effort would be directed to programs enlisting the widespread participation of all available voluntary resources -- local, national, and expatriate (including the Peace Corps as well as private organizations) -- at the village level.

For FY 1982, we propose \$100 million to be used in four areas -- India (\$35 million); East Africa (\$25 million); the Sahel (\$25 million); and Central America and the Caribbean (\$15 million) -- where the urgency of the problem has already been recognized by the host government and specific activities already formulated. In 1983 and beyond, the targeted group of countries would be expanded, with country selection determined by (i) the intensity of the deforestation problem; (ii) the willingness and responsiveness of the countries to address themselves to deforestation problems; and (iii) the definition of problems to which AID could make an important contribution. At this point, the expansion might include countries such as Sri Lanka, Thailand, and Somalia.

A U.S. bilateral investment of \$800 million over the next 5 years (or \$680 million at 1982 prices) for forestation as part of a coordinated international effort would provide 1.7 million acres of sustainable fuelwood supplies -- saving 135 million gallons of imported fuel a day. The U.S. contribution would, when coupled with those of other donors, give a major impetus for stabilizing tropical forests between now and the end of the century at 4.5 billion acres.

#### (b) Fossil Fuels

There is wide agreement that at least until the end of this century, oil and gas resources have the greatest potential for increased supply in the developing world as a whole. In the oil-importing countries alone, oil and gas production could increase from 2.6 million barrels a day in 1980 to 7 million barrels a day by 1990. A report recently prepared by Petro Canada and Petroleos de Venezuela estimates that oil production alone might rise to perhaps 8 - 9 million barrels a day by 2000.

To achieve these levels, an accelerated rate of exploration as well as perhaps \$40-60 billion of new investment will be needed according to World Bank estimates. Most of the costs will be for developing productive capacity. Private sector and national governments should be able to finance a substantial portion of these costs, but additional multilateral financing will also be essential. Although the precise amounts, institutional arrangements, and funding mechanisms for the new IBRD energy facility and the proposed

Venezuelan initiative are unresolved, we believe that both should be encouraged and are likely to come to fruition during the course of the next year. U.S. planning should proceed on that premise. Both deserve U.S. support. We are thus including both initiatives -- at constructed levels -- in our estimates for 1983 and beyond.

INTERNATIONAL DEVELOPMENT COOPERATION

PD-AAW-410

AGENCY : FY 1982 BUDGET PROPOSAL

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ANNUAL BUDGET SUBMISSION